# CRITICAL REVIEW

A JOURNAL OF BOOKS AND IDEAS

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## SOCIALISM: DEAD OR ALIVE?

*Eight Books on Marxism and Socialism Reviewed by Tom Bottomore · Don Lavoie · Peter Rutland · Milton Mueller*


POPPER AND MARX — Jeremy Shearmur

F. A. HAYEK, INCORRIGIBLE SKEPTIC — Dallas L. Clouatre

HOW APARTHEID BEGAN — Pete Boettke, Steve Horwitz, David L. Prychitko

PLUS *Lee Cronk returns an anthropological theory to sender · Kurt Schuler on the ignorance in economic theory · and a statement by the editors*



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# CRITICAL REVIEW

A JOURNAL OF
BOOKS AND IDEAS

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*The Editors*

# EDITORIAL STATEMENT

## *Why* Critical Review?

In recent years new approaches have been challenging long-established tendencies of thought in the social sciences and humanities. One need only think of what has been termed the "crisis" of economic theory, the rise of rival methods to logical positivism in social science research, or the proliferation of literary theories such as deconstructionism and post-structuralism. While it would be wrong to claim that these are part of a unified intellectual movement, they are at least evidences of a common discontent. One can see the diversity of intellectual movements as an indication of confusion or as a sign of healthy intellectual ferment. We favor the latter view.

Many of the new intellectual movements have affinities with older movements such as Marxism or classical liberalism. What all of them exhibit in common is some dissatisfaction with the existing state of various intellectual disciplines and, more broadly, with existing social arrangements. *Critical Review* will be especially concerned with examining the types of order, intellectual, economic, political, and moral, that exist in society, uncovering their origins, and finding the wellsprings of their power. However, our criticisms of existing orders will be tempered with realistic ideas about what is possible under other arrangements. For example, several articles in this issue discuss whether socialist criticisms of capitalism amount to an outline of a workable alternative or whether they are complaints about features of capitalism that may seem undesirable but cannot be improved on. *Critical Review* will be concerned not only with the merits ideas have as revealing flaws in conventional ways of thinking, but also with their merits as the foundation for rival intellectual "paradigms."



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*Critical Review* will discuss the full variety of intellectual movements in the social sciences and humanities. Without pretending to be exhaustive, we will seek to investigate their significance within their own fields and their implications for related ones. Book review essays are ideal vehicles for combining careful assessment of intellectual development with reasoned speculation about their implications, and each issue will have several such essays. We will also feature essays whose subjects are not so closely tied to particular books, and may on occasion also publish original research when it is of interest to a wide audience. We welcome you to join in the intellectual challenge *Critical Review* is undertaking.

In subsequent issues *Critical Review* will initiate an extensive and lively correspondence section. We invite letters from readers who are stimulated, outraged, roused to curiosity, or otherwise moved by the articles within these pages.

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*Don Lavoie*

# POLITICAL AND ECONOMIC ILLUSIONS OF SOCIALISM

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THE MYTH OF THE PLAN: LESSONS OF SOVIET PLANNING EXPERIENCE

by Peter Rutland.

*LaSalle, Illinois: Open Court, 1985. 286 pp., $26.95.*

LENIN AND THE END OF POLITICS

by A. J. Polan.

*Berkeley: University of California Press, 1984. 240 pp., $22.50, $9.95 (paper).*

*The Economic Illusion: The Facade of Planning in the USSR—Is the USSR Really a Command Economy?—Command as Power vs. Command as Control—Economies Out of Control—Intervention, East and West—The Political Illusion: Lenin's Attempt to Transcend Politics—Lenin's Essay in History—Lenin's Theory of Bureaucracy—"A Politics for the End of Time"—The Power of Illusions*

It was about seven decades ago that Lenin broke off writing his famous essay *The State and Revolution* in order to seize political power in Russia. Overnight his role was transformed from theorizing about a Marxian socialist utopia into actually trying to implement one. The real world was by almost all accounts unkind to Lenin's vision. His retreat to the New Economic Policy signified a major reversal of socialist aspirations. If one compares *The State and Revolution* with the political and economic history of the Soviet Union, it is obvious that Lenin grossly

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underestimated the complexity of the difficulties he was about to encounter. Judged against Lenin's 1917 aspirations, the contemporary Soviet state is a profound failure, both politically, in its inability to retain (much less surpass) the extent of democracy typical of western capitalism, and economically, in its failure to catch up with the level of economic development achieved by bourgeois economies. But the reasons for Lenin's failure to achieve either democratic political goals or a prosperous economy are seldom traced to intrinsic elements of his socialist aspirations. Russia, it is pointed out, began without democratic political traditions and with a backward economy. These special difficulties and not flaws within socialism itself, it is widely believed, brought Lenin's dream to its rude awakening. This interpretation of Soviet history in effect lets socialism off the hook for whatever political crimes or economic irrationalities the USSR is shown guilty of. As Peter Rutland observes, "one finds most socialists treating the Soviet economy as if it has nothing more in common with their economic doctrines than does the economy of Papua New Guinea, or the far side of Venus."

A closer examination of Lenin's utopian project and the way it came into conflict with political and economic realities suggests that advocates of socialism ought to take more seriously the possibility that they have important lessons still to learn from Soviet history. Lenin's political aspirations as set out in *The State and Revolution* sound remarkably libertarian, considering the police state he was about to establish, and his ideas of extending democratic decisionmaking to the economic realm would not sound out of place in contemporary socialist discourse about "economic democracy." Anyone who would like to see radical change in the modern world should consider the question why this radical-sounding vision failed in the particular ways it did and ushered in a profoundly reactionary system. Why, exactly, did Lenin's "democratic centralism" in practice prove to be democratic in name only? And why did the attempt to "rationally plan" the economy in practice turn into gross economic inefficiency and chaos?

I submit that the reasons for Lenin's failure were two identifiable illusions common to most socialists about the nature of politics and economics. The economic illusion concerns the way the Soviet economy actually works, that is, that it is a genuinely planned economy which, despite certain problems of inefficiency, has been successful in terms of rapid industrialization. The political illusion concerns not the actual politics of the Soviet Union, which nearly everybody concedes is undemocratic, but the extent to which this political failure is at-

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tributable to aspects of the socialist conception of democracy. The books under review here, *The Myth of the Plan* and *Lenin and the End of Politics*, go a good way toward exposing, respectively, these economic and political illusions. Peter Rutland offers an overview of the modern Soviet economic system that shows why Lenin's dream of rational scientific planning has in fact never come to exist and why the Soviet economy cannot be called a developmental success story. A. J. Polan supplies a detailed interpretation of Lenin's political vision as articulated in *The State and Revolution* that shows Lenin's failure to treat seriously some of the central issues of political philosophy made him in practice neglect to bring any democratic elements into the Soviet state. While Polan's book focuses on the written texts surrounding and including Lenin's 1917 essay and treats the political-economic reality of the Soviet system as its unexamined background, Rutland's focuses directly on this reality and treats the ideas of Marxism–Leninism as *its* unexamined background. Each has a great deal to teach us separately about its own area of focus, and together they provide a powerful criticism not just of Leninism or the Soviet model, but of socialism itself.

On the surface these two books come to opposite interpretations of Leninism: Rutland quotes Lenin's own statement that "politics cannot but have priority over economics" and endorses this as an accurate description of the modern Soviet economy; Polan, on the other hand, claims that "Lenin's problematic ensured that politics is an ontological impossibility." For Rutland what went wrong is that Lenin made politics too important in the Soviet system, while for Polan what went wrong is that Lenin left no room for politics at all. I think they are both right. The politics Rutland shows is dominating the Soviet economy is one of coercive power, while the politics Polan shows is missing in Lenin's philosophy is one concerned with what Polan would call an uncoerced public discourse about our rights.

## *The Economic Illusion: The Facade of Planning in the USSR*

Rutland's *Myth of the Plan* presents a relatively accurate description of the workings and failings of the modern-day Soviet economy as well as an overview of its historical evolution from the 1917 revolution. The descriptive material is organized around two central theses, one descriptive, one predictive, to which the argument frequently returns: (1) that Soviet planning is best viewed not as an economic mechanism but as a political system for maintaining and legitimating

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the existing concentration of power, and (2) that since political stability for the current leadership is based on the planning mechanism, there is "no likelihood" for reform of this politicized economy. The book is quite successful in supporting the first thesis, though I will argue that Rutland fails to appreciate the significance of his own argument, but it is quite unconvincing in defending the second one. I will return to Rutland's pessimistic predictions again later, but here I would like to describe his keen observations of how the Soviet political-economic system works. Although in the main I find Rutland's book superb, and certainly way ahead of most works on the Soviet economy, it shares with them certain assumptions I would like to question. It turns out that the specific area in which his book is weakest, appreciating the nature of Lenin's theoretical vision of socialism, is where Polan's book is strongest.

Rutland first presents a helpful theoretical overview of the idea of planning conceived as an alternative to the "anarchy of the market," the idea that motivated Lenin's revolution and that continues to be the main ideological prop for Communist Party rule. He shows that it is not only the hard Left, but most progressives in the modern world, who continue to defend planning (though usually calling it something else) as a superior mechanism to the uncontrolled market for resource allocation. Even among those on the Left who have come to recognize serious difficulties with the planning ideal, a corollary distrust of markets persists. As Rutland observes:

> Even though current socialist politicians may be starting to shy away from the term, it is clear if one examines the policies which they are advocating—be it their opposition to council house sales, and private medicine, or the calls for more public spending—that the concept of planning as the negation of the market is still very much a living proposition.

Planning, he concludes, "remains a powerful current in western economic life, and is the channel through which a massive expansion of the state's role in the economy has taken place." He provides a fascinating examination of the intellectual origins of this idea of planning, tracing it to a certain notion of rationality involving "a belief in the possibility of the conscious and purposive regulation of man's environment."

Rutland subjects the belief that planning is superior to markets to critical scrutiny in a summary of the classic debates of the 1930s between Oskar Lange and his Austrian School critics, Ludwig Mises and

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F. A. Hayek. Although his presentation of the theoretical issues borrows a bit too much from standard textbook accounts of the debate, he does point out, as most of them do not, the unique aspects of the Austrian school's process-oriented view of the market. The real issue for Mises and Hayek was not to contrast hypothetical states of equilibrium under capitalism and socialism to see which attains a higher degree of static allocative efficiency, as Lange supposed, but rather to determine which institutional arrangement is better able to permit the dynamic discovery and communication of economic knowledge. The Austrians did not favor the market because it finds a solution to the system of simultaneous equations constituting a general equilibrium more rapidly than a central planning board could; if that were the issue Lange would have to be called the winner in the debate. Rather, they defended it because it is more responsive to the ceaseless change permeating economic activity than a central planning board. The market works because it enables an entrepreneurial process to function as a procedure for the discovery and conveyance of knowledge. Understood in these terms, Lange's argument misses the whole point of the Mises–Hayek challenge.

Next Rutland turns from theoretical issues to the task of describing the way the Soviet economy works. His account begins with a historical overview of the emergence of the "command economy" from 1917 to 1930 and proceeds to examine how that economy really works. The book up to this point succeeds in showing why the Soviet economy should not be considered a successful model of economic development. The economy he describes in these chapters is one that puts obstacles before the very entrepreneurial processes he has previously identified as the key to successful economic performance. "Perhaps the most serious problem facing the Soviet economy is that of introducing technological change into the structure of production." Economic development requires securing an environment of stable, clearly defined property rights so that entrepreneurs can freely exploit profit opportunities. The appropriate criteria for judging the effectiveness of an economy for growth are the Hayekian ones of flexibility, initiative, and entrepreneurship. Agents in a free market are capable of greater responsiveness in the face of uncertainty than those in a Soviet-type economy because of their relatively greater freedom of maneuver. They are less constrained by rules and regulations, and do not need to seek approval from superiors for their actions. Requiring Soviet managers to obtain bureaucratic approval for many of their decisions inevitably slows down the entrepreneurial process. This leads not only

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to a poor performance in the introduction of major technological innovations (for which Rutland refers to the brilliant three-volume work by Sutton[1]), but, more important, to difficulties in the dissemination of new techniques across the economy, which is the decisive factor for economic success. Here he refers to a sector-by-sector study undertaken by Amann and Cooper,[2] which estimates what Soviet innovations have been lagging some six to eight years behind the West in the principal industrial sectors.

The myth that the Soviet economy represents a model of rapid growth worthy of emulation by developing countries is largely based on the highly questionable branch of modern economics known as growth theory. People afflicted with this way of thinking believe that achieving high rates of increase in the total number of dollars spent in a country, or in particular "basic" or structural industries, is inherently good. The Soviet economy has "achieved" several remarkable statistics of this kind that continue to dazzle many a Western macroeconomist, but in terms of the real quality of life of everyday citizens these statistical achievements haven't meant much. Alain Besançon, in an eye-opening article in the journal *Survey*, makes this point.

> The Soviet economy is the subject of a considerable volume of scholarly work which occupies numerous study centers in Europe and the United States and which provides material for a vast literature and various academic journals. But those born in the Soviet Union, or those who approach Soviet society through history, literature, travel or through listening to what the emigres have to say, find that they cannot recognize what the economists describe.[3]

Rutland's work stands as a rare exception to most economic literature on the Soviet Union in that he relies as much on the sort of historical, literary, and other evidence to which Besançon refers as he does on economists' works. He is usually careful in his interpretations of his sources, though he does occasionally lapse into granting some credibility to the sorts of aggregative statistics the official Soviet press likes to display. (For example, he comments that before the Russian Revolution "the First World War witnessed rapid economic growth," a statement that can only make sense if you believe that anything, even total destruction, is a form of economic growth so long as it is measured in monetary terms.) By and large, however, Rutland trusts to other and far more meaningful forms of evidence. He acknowledges that the massive Soviet investment drive of the 1930s "certainly pro-

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duced growth," but insists that "it was growth of a peculiar sort." His critical assessment of the much-vaunted early five-year plans is much more guarded than the glowing tributes one reads in many economic studies of the period. He reminds us, for example, that the work camps were crowded with several million kulaks when he remarks that "these unfortunates made a major contribution to the construction and extractive industries." If we insist on calling this reversion to slave labor "development," then the Soviet economy certainly did develop rapidly. So did Egypt under the pharaohs, who had a similar penchant for the construction and extractive industries. Many commentators claim that Stalin's unprecedented modernization push, though admittedly costly at the time, was necessary in order to make the Soviet Union into a modern industrial economy. Rutland inexplicably calls this claim "ultimately unanswerable," but he provides the reader with most of what anyone would reasonably ask for as an answer: the program caused workers' living standards to plummet in the short term and never culminated in the dramatic improvement in future living standards its promulgators promised.

Growth in macroeconomic aggregates is not a measure of the actual performance of the Soviet economy: it is, rather, the public image necessary for the propagation of the myth that the Soviet economy is being successfully planned. Rutland argues that the whole planning system is constructed around the fulfillment of crude numerical indices. Michael Polanyi coined the phrase "conspicuous production" to describe the Soviet proclivity to produce investment goods that nobody wants. In fact, Polanyi suggests that in a sense *statistics* are what is "produced" by deliberate planning in the Soviet economy!

### *Is the USSR Really a Command Economy?*

This brings me to an important difficulty I find with Rutland's description of the Soviet economy, a difficulty which unfortunately he shares with many otherwise perceptive observers. There is a tension running throughout the book between the standard "command economy" model of the Soviet economy that conceives it as being actually organized hierarchically by command from the top, and the alternative picture many of Rutland's own statements suggest of an economy that is quite thoroughly out of the planners' control. His ambivalence is reflected in his self-contradictory definition of planning as "organized *interference* of state policy into the structure and functioning of the

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*whole* economy" (italics added). State intervention, even massive state intervention, and a hierarchial command economy are not the same thing. The source of this tension, I believe, lies in Rutland's failure to clearly distinguish between political power and economic control. The Soviet economy exhibits perhaps the greatest concentration of political power in modern history, but even at the peak of Stalin's dictatorship this political power never added up to effective control over the economy.

This theoretical confusion as to whether the Soviet economy is an instance of planning, that is, genuine control over the economy, or intervention, that is, arbitrary injections of coercive power into an otherwise unhampered economy, underlies not only Rutland's account of the modern Soviet economy but also his historical chapter (chapter 4). His historical overview obscures the crucial differences between the original (pre-New Economic Policy) attempt to implement a command economy during the so-called War Communism period under Lenin and the later (post-NEP) institution of five-year planning, which began under Stalin and has continued ever since. Both of these regimes were, it is true, operating under similar Leninist ideological justifications which stressed the advantages of rational hierarchical planning over the chaos of unplanned markets. But the differences between the way the economy actually worked in these two periods are absolutely crucial to the questions Rutland raises about the myth of planning, and his failure to recognize those differences is a serious shortcoming of the book.

Rutland's history stresses what he sees as "fundamental continuities in the Soviet planning system running right back to 1917." It is plausible to claim, as he does, that the Soviet economy has seen little systematic change since the early 1930s, but to treat the tumultuous years from 1917 to 1928 as a single period is highly misleading. Echoing a standard theme in many histories of the Soviet economy, he says that the new Bolshevik state was so preoccupied with the consolidation of its political power and the waging of a civil war that "little thought was given to economic policy during this period." Numerous decrees were passed expressing the Bolsheviks' hopes but "these espoused policies had little political impact." The times were not conducive to careful thought about the principles of organization of the new socialist society, Rutland claims.

Yet while it might well be said that the thought Lenin and his comrades were giving to problems of economic organization was of low

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quality, it was not lacking in quantity. Rutland's whole account misses the fact that War Communism was from the beginning a deliberate policy, aimed, quite consistently, at abolishing all market institutions and replacing them with a command economy. The decrees were hopelessly naïve, of course, and never achieved their intended purposes, but they can hardly be described as having little impact. They proclaimed the systematic nationalization of the economy, a process which was proceeding rapidly throughout the period. (Oddly, Rutland says "it was not until December 1920 that all workshops employing in excess of ten workers . . . were nationalized." How much faster did he think it could have been done?) The goal of destroying money is treated by Rutland and by most economists as a symptom of some Bolsheviks getting "caught up in the general revolutionary fervor" rather than as a necessary part of the policies of any consistent Marxist. But Paul Craig Roberts' classic book *Alienation and the Soviet Economy*[3] has scrupulously documented the fact that Lenin was aiming explicitly at a destruction of the market and all its associated institutions. At the time those policies were called simply "communism"; the prefix "war" was added later as part of an elaborate excuse for the catastrophic failure they engendered.

"War Communism" is an apt term in one sense, however. The command economy Lenin tried to establish was modeled directly after what he thought was the smoothly functioning German war machine. He derived his idea of the pattern the Soviet economy should take from a misunderstanding of the German economy's workings. In fact, as Rutland notes, German war planning too was chaotic and confused. The further Lenin went in his effort to replace the market with planning the worse the economy deteriorated. Here, and not in the later five-year planning system, is the historical instance of a sustained effort to establish a true command economy. The failure of War Communism and the retreat to the New Economic Policy are of much greater significance to Rutland's thesis about the myth of planning that he implies.

The New Economic Policy was a full-scale retreat from the aspirations of War Communism. Market institutions were permitted, the destruction of money was halted, the activites of private entrepreneurs were condoned, and as a result the economy recovered dramatically. Thus the first several years of Lenin's rule hardly seem to exhibit anything one would want to describe as "fundamental continuity." Few episodes in economic history can be found that manifest such drastic

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shifts in economic policy: the Bolsheviks switched from the goal of completely destroying markets to that of embracing and encouraging them, and then, we will see, to that of obstructing and disguising them.

In the failure of War Communism and the retreat to NEP the impossibility of planning as articulated theoretically in the Mises–Hayek critique was directly demonstrated in practice. Marx understood that true planning is necessarily incompatible with all market institutions whose operation depends on the anarchic workings of rivalrous competition, and Lenin was in this respect a good, sincere Marxist. To comprehensively plan an entire economy presupposes that no parts of that economy are operating on their own initiative. The "intolerably high level of discipline" Rutland observes to have been imposed under War Communism was a necessary part of its Marxian design and not some accident of excessive revolutionary fervor, though there was plenty of that too.

When NEP too was reversed this was, as Rutland points out, done for strictly political reasons. But Rutland suggests, as do most studies of the Soviet economy, that this amounted to a return to central planning. He asserts that in the first five-year plan, set up in the late 1920s, "the economy was reshaped into a rigidly centralized administrative hierarchy, geared to achieving the plan targets nominated by the center—targets which were no longer projections but *orders*." What he fails to point out here is that these orders, in the form of targets or success indicators, are invariably in such conflict with one another that plant managers cannot possibly obey them all. This proliferation of conflicting targets means that plant managers do, after all, have room for some discretion as to which targets they will aim for, something Rutland at another point explicitly acknowledges. The first five-year plan was not a return to the attempt to construct a true command economy that had been made during War Communism: it was the erection of "the myth of the plan" to disguise what is really a system of arbitrary government intervention into the economic order.

Tolerance of the overt profit-making and market behavior that flourished under NEP did not come naturally for Marxian ideologues, and so they needed at least the *facade* of planning to justify their political rule to themselves and their subjects. The five-year planning system was a facade of planning in which the use of money and cost accounting at the plant level was officially condoned, as it has been ever since. It is, I think, only because of this covert profit–and–loss system within the official planning sector and the important activities of the

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black-market or "second" economy that the Soviet economy is able to muddle through.

### *Command as Power Versus Command as Control*

The Soviet economy, like all modern economies, works—that is to say, it achieves whatever degree of socio-economic coordination and development it can achieve—because of *individual choices made at the microeconomic level,* by workers, plant managers, etc., and not because of aggregative decisions made by the planning bureaucracies. The planners have immense political power that enables them to selectively reach down to the microeconomic level and force certain individual decisions in the directions they desire. But as they zero in on some decisions, they must necessarily direct their attention away from the far greater number of other decisions that must in any case be made by somebody. Rutland seriously misunderstands the limits to planners' capacities when he says "they are not absolutely sure that . . . decisions which lie in the penumbra of their gaze may not turn out to affect their interests in the long run." Most of the decisions that drive the economic process are in actuality *beyond* the planners' gaze.

A good case in point to illustrate the failure of planning to amount to genuine control over the economy is the Soviet health and social welfare system, to which Rutland devotes a full chapter. Soviet citizens do, after all, enjoy free medical care. Many observers of the USSR have pointed to these policy areas as the silver lining to the cloud, the acceptable face of Soviet society. However, Rutland argues forcefully that

> Soviet experience shows in a most clear and unequivocal manner that the mere fact that the state has taken on broad responsibility for the welfare of the population, and that the health and social welfare systems are now planned by public agencies rather than provided by a plethora of market and voluntary agencies, does not guarantee that the health system which results is a more desirable one.

Here again, what one finds most impressive about the Soviet system is its aggregate statistical imagery rather than its disaggregated reality. Many writers who are otherwise very critical of the Soviet economy "balance" their criticisms by pointing to such statistics from the health care industry as total numbers of beds and doctors. Using these

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criteria, the USSR comes out on top of the world, something for which it has attracted widespread praise. But Rutland insists that anecdotal evidence, which is severely critical of the quality of care, belies the impressive aggregate figures for the size of medical service. He trusts to the more meaningful evidence that comes from talking to large numbers of Soviet citizens and emigrés, and from reading the Soviet press, rather than to statistics about numbers of beds. Such numbers lose their persuasive power when stacked up against stories of ambulances that take an hour to reach emergency cases, or of inattention by doctors and nurses, or of severe shortages of medicine and medical equipment. Still, for those who like statistics, Rutland offers this one: the USSR uses just 3000 of the 100,000 different types of medicines currently used around the world.

As with the rest of the economy, it is not so much that the health and welfare services themselves are being planned by the bureaucracy; rather, certain statistical *indicators* for measuring health and welfare services are being planned. Rutland comments that many practices in this area amount to a "conspicuous manipulation of intermediate indicators of health provision." This conspicuous production does not control, but simply interferes with, the supply of medical services by making the medical system adjust its behavior to suit quantitative indicators instead of patients' real needs. There is, once again, political power at the top but not effective control over the bottom.

Power does not spell control because, as Mises and Hayek pointed out, no human mind is capable individually of comprehending any more than a tiny part of a complex economy. The planners are not really planning at all, but interfering violently and selectively in an economic order they do not understand. Even Stalin, armed with all his coercive powers, could not possibly make the Soviet economy grow in any meaningful sense. The economic development that took place under his reign should be attributed not to his commands, but to the efforts of everyday Soviet citizens to produce despite his arbitrary political interferences. Planning in practice is not scientific control; it is uninformed intervention into an order that remains fundamentally out of anyone's control. Another apt phrase Michael Polanyi coined that Rutland could profitably have used is "polycentric economy." Any modern economic order is necessarily composed of many planning centers. The plan in actual practice is shaped by a variety of independent decisions made by plant managers (and at least partly in terms of profit–and–loss accounting), which are passed up the planning bureaucracy, where they are used to produce aggregate statistics called

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"the plan." These originally disaggregated decisions are then passed back down the bureaucracy, returning to the disaggregated level in the form of targets. The aggregate figures making up the plan, which is all that the *apparatchiks* at the apex of the command economy ever see, are quite useless for any real decisionmaking. When those in political command do interfere with plant managers' decision they are not controlling the economy, but taking blind and arbitrary actions whose consequences are unpredictable.

Much of Rutland's study supports Polanyi's interpretation of the Soviet economy as being impossible to direct from the top down. He explictly states at one point that "planning offers itself as a way of asserting man's control of the economic environment, and manages to disguise the fact that it is essentially uncontrollable." It is "the nature of the planning exercise" to be "haphazard and arbitrary," to be flawed in practice, and to find itself forced to coexist with irrepressible market forces." The very presence of the black market implies that the command economy model doesn't really describe Soviet reality:

> Despite the massive scope of state intervention in economic life in the USSR, the command economy has obviously not entirely displaced individual initiative in the pursuit of self-interest. It is difficult to imagine how any such economic system could completely eradicate informal, unofficial trading and producing. No matter how much the control agencies are multiplied and set to control each other, the idea of the totally controlled economy and society is a chimera.

It is not only the illegal "second economy," however, that constitutes an exception to complete control. The officially planned, state-owned "first" economy is also out of control, and driven by individual initiative in the pursuit of self-interest.

Even the planning bureaucracy, which one would expect to be in command at least of itself, is out of control. In discussing the problem of political infighting and corruption that pervade the Soviet economy, Rutland refers to Konstantin Simis's point that the further bureaucrats move from the center, the more scope there is for them to abuse their positions to bolster the privileges of their own cliques. Such pervasive rivalry in the power structure implies that political power is not directly translatable into effective economic control. The politicians at the apex of the command economy are unable to eliminate such infighting and corruption because much as they may despise the corruption and inertia of the local elites, they rely on them to keep the popu-

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lation in check. Without them, the pyramid would come tumbling down. The party paints itself in an orderly hierarchy but, says Rutland, "begins to look . . . more like a fireman, rushing from one crisis to another—with some [most?] of them being crises of their own making."

### *Economies Out of Control*

And yet, Rutland shies away from concluding that the Soviet economy is beyond the planners' control, or that the Party is essentially starting and putting out fires rather than hierachically controlling things. He hasn't taken his own exposé seriously enough. His statement, for example, that the Soviet economy "is not a system in which consumer preferences reign: it is basically a top-down system in which planners' preferences are what matters," while it contains a germ of truth, is highly misleading. Consumers' preferences, as Polanyi's idea of conspicuous production illustrates, are seriously obstructed, and not only by the deliberate policy of emphasizing producers' goods over consumers' goods. They are also obstructed by the fact that they have to work their way up and down the bureaucracy. But this is not an economy that is actually being manipulated from the top down to suit the planners' preferences. Rutland begins his detailed discussion of the command economy in operation by declaring, "We must begin at the very apex of the command economy, with the politicians." This approach has things backwards: planning in practice does not start at the apex, but at the *bottom,* where the real decisions over the use of resources are made. What the politicians at the top of the planning bureaucracy are doing, along with most of the activity in which the bureaucracy itself is engaged, amounts not to steering the economy but to getting in its way. It is a necessary feature of the Soviet economy that it present itself as a true command economy rather than as polycentric, for without this *appearance* of planning the very *raison d'être* of the planning bureaucracy and of the Party itself would be rendered nonsensical.

In the last chapter of his book Rutland specifically addresses, in a revealing way, the claim that planning is nothing but a facade. To conclude this, he says, "would be most unwise . . . since planning is a very real *political* phenomenon, even if politics is about the erection and maintenance of public facades." It seems to me that this statement is exactly right but that Rutland has not considered its radical implications for the economists' models of the command economy. Politics

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itself, in the sense Rutland is using the term, is an exercise in illusion. Planning is a facade, and yet it is as real as the political power of the Communist Party. It involves a powerful shaping of peoples' attitudes towards their work, toward one another, and toward the state, attitudes without which the Party's rule over the peoples of the Russian empire would disintegrate. It is powerful, but in terms of how the economy works and how the goods actually get produced, it is only an obstacle.

Rutland understandably resists the metaphor of a facade because it would leave the mistaken impression that Soviet-type planning is a fragile institution. Too many Soviet experts have been burned by describing the system as "on the brink of a major structural reform" that somehow never comes. But Rutland's answer to those who too confidently predict the collapse of the Soviet system is to overconfidently predict that such a collapse will never come. His discussion of the limits of reform argues that the myth of reform is even more alluring and more illusory than the myth of the plan. The economic and political shortcomings to which his book draws our attention, he says, are not defects of the Soviet political system, but integral elements of it. According to him, that system is a permanently regressive step into barbarism, not just a temporary one such as Germany took under Nazism. "It begins to look . . . as if the leopard will never change its spots." Although Rutland offers a few hints about possible institutional innovations that might give us hope for reforms, he concludes at the end of the book that as things stand at present there is no reason to suspect that any of them will in fact be carried out.

But as Rutland himself observes in another context, "Inevitability is not a word which should be in any historian's vocabulary: there *is* always an alternative." Many of his own descriptions of the Soviet economy as one that exhibits systemic inflexibility misleadingly suggest that there is no possible prospect for the peoples suffering under it to ever free themselves of it. Yet his own book, by exposing one of the key illusions that props up Communist Party rule, belies this pessimistic imagery. If planning is not really a way of controlling an economy but instead is a facade that is merely covering up and legitimating political power, then the Soviet peoples have reason for hope. The legitimacy of this powerful state is, after all, based on a fragile ideological foundation. "All" it would take to put an end to the system is a significant change in the way these people understand it.

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*Intervention, East and West*

The lesson of Rutland's book is that planning is, strictly speaking, not inefficient; it is impossible. What really occurs in the Soviet economy, as elsewhere, is blind intervention by a government into a polycentric order it does not understand and which is not under the control of any one person or group. In this sense, then, the Soviet economy has to be seen as essentially similar to the economies of the West, differing in the degree and form of its intervention, but not in kind. Our politicians' claim to be guiding the American economy with their fiscal, regulatory, and monetary policies is no less a facade covering up blind intervention and justifying their political power than is the Soviet planners'. The difference is that the Soviets' intervention is substantially more pervasive.

Perhaps the reason Rutland resists taking the explicit position that the Soviet economy is like Western economies in this respect is the radical implication entailed for his implicit choice of an alternative to a Soviet-type economy. His use of the Mises–Hayek argument cuts so deeply into the legitimacy of the Soviet government's practices that if these are called by the same name we in the West use to refer to our governments' practices it would suggest that the argument challenges "our side" too. To avoid letting his own arguments go too far in this sense, Rutland may be exaggerating the differences between the Eastern and Western forms of interventionism, wanting to turn a (great) difference in degree into a difference in kind. He tries rather unpersuasively to make a categorical disctinction between Soviet-type economies and those of the West, which he bases on the close connection in the former and not the latter between politics and economics. But surely his assertion that the distinguishing feature of socialist states is the tying of state power to economic objectives cannot be accepted. *No* government has ever failed to tie its power to economic objectives.

Were Rutland to admit that government intervention into capitalist economies is subject to some of the same criticisms as it is in the Soviet economy, he would come perilously close to taking a radical laissez-faire position. But he expressly refuses to take that step. He charges that Hayek's ideal involves belief in a limited or "night watchman" state, which he says may be as much of a myth as the planned economy. He refers without any dissent to the Marxian critique of the commodity-fetishism of the market, which asserts that the market relies upon the granting of supernatural qualities to money and to commodities. This lends him to acquiesce in the Marxist view that to

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fetishize commodities is as great a danger as to fetishize the plan. Although much of Rutland's book provides powerful support for Hayek's famous thesis from *The Road to Serfdom* that the economic system of collectivist planning leads to the degeneration of political freedoms, he himself specifically rejects that thesis, and in such a manner as to raise questions about his understanding not only of Hayek's argument, but of the nature of other economies around the world:

> A glance around the globe shows that one can have authoritarian regimes where free enterprise reigns; and economies with a high degree of state planning which it would be unreasonable to describe as "authoritarian." This kaleidoscope of political regimes poses certain problems for political theory: for example, there can be little mileage left in the classic liberal idea that economic freedoms and political freedoms are inextricably linked.

Contrary to what Rutland seems to think, Hayek did not argue that having a large measure of economic freedoms guarantees having political ones, but only that restricting economic freedoms entails the restriction of political ones. I do not know of any historical counterexamples to this thesis. But the real question is where the regimes are in which "free enterprise reigns." If only Rutland were right. He *is* right when he points out that the facts pose "certain problems for political theory," but the problem is not with classical liberalism; it is with the whole standard way of classifying economic systems. For Hayek, as for most classical liberals, there is little to choose between the left-wing socialist regimes and the right-wing state capitalist or corporativist regimes to be found all over the modern world; none of these are truly free–market or free–enterprise economies. Furthermore, what little respect they do have for economic rights *does* seem to be closely related to their respect for political rights.

This reluctance to present free markets as the alternative to planning substantially weakens the force of the whole book and seems curiously out of place in the overall argument. As Rutland admits in the first and third chapters, Marx's utopian image of the planned economy and his allegedly more scientific anti-market analysis of capitalism "are but two sides of the same coin." Yet he subjects only one side of the Marxian coin to critical scrutiny and tries to remain noncommittal about the other side. This cop-out is most manifest in the concluding chapter, where he sabotages his whole argument by endorsing Karl Mannheim's popular statement that "there is no longer any choice be-

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tween planning and laissez faire, but only between good and bad planning." "There is no sense," Rutland adds, "in abandoning the myth of the plan merely to embrace the myth of the market."

If that is so, why write an entire book showing that planning is a myth when there is no system better than planning? Rutland constantly contrasts the chaotic reality of the Soviet economy with the orderliness of the market economy, yet seems to think he can somehow avoid the issue of whether a free market is more desirable than planning. But a "critique" without at least an implicit alternative is nothing but pointless complaints about how tough the real world is. If there's no way to do better, then the critique completely loses its force; it's like a "critique" of gravity. Rutland cannot escape the question of what he will accept as his favored alternative to planning.

Most people today, of course, believe in the system of interventionism itself as a viable, reasonable third option to capitalism and socialism, an option that can enable us to enjoy the benefits of markets without the alleged problems of laissez faire. Rutland seems to agree with them, but has a problem: he has just given us a powerful critique of a form of interventionism. It is difficult to see how Western interventionism can be insulated from the very arguments he has persuasively deployed against Soviet planning. All the reasons he gives throughout his book explaining why the Soviet state lacks sufficient knowledge to plan the Soviet economy apply with equal force to attempts by Western states to intervene in their economies. The Mises–Hayek challenge to planning can be generalized into a radical critique of interventionism of all kinds.

Rutland's critique of economic planning, in short, points beyond itself. Planning, he shows, is really a political instrument for arbitrary intervention into the market order. Its alleged function in actually guiding the economy is essentially a facade covering up its real function: the legitimization of the arbitrary power of the state to coercively interfere in the economy. Planning is in this sense the politicization of the economy. We in the West have less powerful and pervasive mechanisms for the legitimation of state intervention, but they can be subjected to the same critique to which Rutland subjects Soviet-style planning. Those who would undertake Keynesian macroeconomic intervention are as ignorant of how the economy they are supposed to be steering really works as are Soviet planners. Coercive government interference, whether of the Soviet or Western variety, is guilty of the same pretense of knowledge, and a consistent critique of it must pro-

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pose complete laissez faire as the only workable alternative. What Rutland's analysis of planning points to, although he resists coming to this conclusion, is a radical critique of politics itself.

### *The Political Illusion: Lenin's Attempt to Transcend Politics*

The most important problem with standard accounts of the nature of the contemporary Soviet economy is that they do not clarify the relationship between its actual workings and the political-economic ideals of its founding fathers. What lessons can we derive from studying the Russian revolution by way of a comparison between the Bolsheviks' original vision and the first seventy years of Soviet experience? Even as good a book as Peter Rutland's leaves the relationship between Leninist theoretical ideals and Soviet historical reality unclear in many respects. Although Rutland goes a long way toward exposing the chief *economic* illusion of Soviet experience—that it is a model of a rationally planned, developing economy—he joins most commentators on the Soviet economy in overlooking the crucial *political* illusion of the Leninist ideal. Rutland, like many critics of socialism, treats the undemocratic nature of modern Soviet society as if it is the intended result of Lenin's political ideal. This, I believe, is no more helpful than the tendency of many defenders of present-day Soviet socialism to treat it as an accidental failure of history to continue in the direction of Lenin's properly democratic ideals. Neither of these interpretations, it seems to me, comes to grips with just exactly what Lenin and his followers were *trying* to accomplish politically. Here, I believe, lies the great political illusion of socialism.

A. J. Polan's *Lenin and the End of Politics* provides a brilliant interpretation of Lenin's political vision that shows its fatal flaw was a naive Marxian conception of post-revolutionary society. Lenin supposed that the strictly technical, central economic planning that would replace markets would also soon make coercion unnecessary and reduce the state to a purely administrative body. This enabled him to evade giving answers to problems that two or three centuries of political philosophy had identified as crucial, such as determining the limits of individual rights versus state power. The road to Stalinism was paved by Lenin's neglect of politics.

But can we really say of Lenin, the man who said, "Politics cannot but have priority over economics," that he neglected politics? We can, I

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think, because what Lenin did was institute in Russia an unusually politicized regime without benefit of serious political reflection.

As Polan puts it,

> The central absence in Lenin's politics is that of a theory of political institutions. All political functions are collapsed into one institution, the Soviet, and even that institution itself will know no division of labour within itself according to different functions. Lenin's state form is one-dimensional. It allows for no distances, no spaces, no appeals, no checks, no balances, no processes, no delays, no interrogations and, above all, no distribution of power. All are ruthlessly and deliberately excluded, as precisely the articulations of the disease of corruption and mystification.

This lack of flexibility in Lenin's theory of the state appears to many to reveal crudely undemocratic intentions. What Polan shows, however, is that Lenin's failure to build protections against totalitarianism into his model of socialism did not happen because he wanted totalitarianism. On the contrary, it occurred because he wanted a form of democracy so radical as to be inherently immune from the dangers that plague bourgeois democracies. Following Marx, he intended not to reduce but to profoundly increase the democratic aspects of capitalist society. What happened was not, as Rutland suggests, that Lenin got the heavily politicized undemocratic society he wanted, nor, as many socialists claim, that he by some mishap was unable to get the conventionally democratic society he wanted. Rather, he failed to get the completely *depoliticized, radically* democratic Marxian society he wanted, and he failed for the simple reason that this society is an impossibility.

The idea implicit in Marx's critique of "the anarchy of capitalist production" is, as Rutland shows, that it is possible to control a technologically advanced economic order by conscious planning. Instead of the economy being organized by the interplay of contending or "alienated" plans, Marx conceived of a world where the planning committee would discover the general will of the whole society and organize the economy deliberately to satisfy this unitary will. Here democratic procedures would not be limited to electing politicians but would be expanded to the articulation of this general will with regard to all aspects of society. Rivalry among independent private interests would disappear since all social activity would be pre-reconciled in the planning bureau.

There is a genuine problem, Polan argues, with this whole concept

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of the general will. Basing his remarks on Hannah Arendt's discussion of the general will in *On Revolution,* he points out that if there can be such a thing, and if it is to be more than a legal fiction, it must by definition be ever-changing. Popular belief in the existence of a general will produces a constant temptation, often even a demand, for some individual to embody it and impose his interpretation of it on the rest of society. The diverse wills of the members of society *cannot* be reconciled to a unity, though some wills may of course come to dominate social outcomes more than others.

What Lenin would have required in order to make his model of socialism work was not merely more favorable historical conditions, "although those conditions themselves have for a long time conspired to suggest the essential innocence of the model." Lenin's vision failed because it demands the impossible: "a situation devoid of all political conflicts, of all economic problems, of all social contradictions, of all inadequate, selfish or simply human emotions and motivations, of all singularity, of all negativity. It demands, in short, for Lenin's political structures to work, that there be an absence of politics."

The method Polan employs throughout this book is to engage in a close textual interpretation of Lenin's most famous essay, in order to tease out of it meanings that have eluded other readers. But it is crucial to realize that this is no narrow exegetical exercise confining itself to Lenin's words. Each chapter goes beyond the text in order to elucidate it; indeed, this is seen by Polan as a fundamental requirement of any successful textual interpretation. The purpose of understanding Lenin's essay is not confined to some sort of recovery of Lenin's own original meaning, but is aimed from the outset at investigating its meaning for us today.

Some approaches to textual interpretation have held as a standard of successful understanding the removal of one's own ideas and values and the attempt to somehow "get inside the head" of the original author. Polan, however, follows the approach to interpretation advanced by the German philosopher Hans-Georg Gadamer, who argues that textual interpretation does not require one to ignore a text's historical consequences; in fact, one enriches one's understanding by being aware of them. Events in history (including the writing of other texts) prior to the writing of the text under examination were an essential part of its meaning when it was written; for us as readers today, subsequent events and texts are also part of its meaning. Thus Polan in interpreting Lenin finds himself discussing a wide variety of other authors, including Max Weber, Jurgen Habermas, Thomas Jefferson, and Jean-

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Paul Sartre. Polan's approach is to the relevant and valid insights of Western political thought to bear on Lenin's text. He is constantly mindful of the consequences of Lenin's ideas on ensuing events in the Soviet Union, as well as of the consequences of earlier historical events on Lenin's ideas. In short, on the issue Rutland's book is weakest, the relationship between ideas and reality, Polan's book is strongest.

### *Lenin's Essay in History*

Polan opens his book with a brief overview of the significance of the Polish Solidarity movement. In the trade unionists' attempt to claim their independence from the Communist Party, Polan discerns an attempt, however halting and so far unsuccessful, to re-establish a non-Marxist conception of politics. Many commentators have condemned Solidarity for its failure to move from being an organization of dissent and protest into the position of becoming a partner in the power structure, with its own program of reforms. Others charge that Solidarity has naively refused to openly challenge the power structure even though it clearly seems to possess a great deal of political clout. Both criticisms diagnose the failure of the movement in terms of its unwillingness to enter the realm of power politics. As Polan notes,

> From the standpoint of both criticisms, what is deemed to be lacking is politics: in the first case, politics sophisticated enough to establish a compromise; in the second case, politics tough enough to make a bid for the control of the state.

Polan disputes this diagnosis, arguing that Solidarity's refusal to become engaged in politics was deliberate and not at all the result of any lack of sophistication or toughness. Its members were rebelling against the whole official Marxian concept of politics in which there is no distinction between state and society. They sought to uncouple certain areas of civil society from the machinery of state power and thereby establish a certain autonomy of civil society from state politics. Polan quotes favorably the assessment by Arato and Vajda that the Solidarity movement was deliberately striving to defend the autonomy from the state of such institutions as "market, parliamentarism, negative rights attached to possession and privacy, general and formal law, freedom of speech and press, political pluralism, and, above all, those institutions

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of small-scale public participation which are to mediate between the individual and the representatives of political power.[5] Solidarity, Polan contends, was in fact being tougher and more sophisticated than most of its critics because it was going beyond challenging institutions, which can be reconstructed, to challenging the whole Marxian discourse about politics as an apparatus of power.

The democratic conception of politics Polan sees Solidarity as having tried to recover, and which he himself favors, is that of a free public discourse among individuals from independent social institutions about their respective rights and responsibilities. It is only from our attempts to criticize and persuade one another by voluntary means that what we think of as a democratic politics can emerge. Polan emphatically insists that "without a genuine process of discursive will-formation, there is no politics that merits the name, and there is no democracy that is not a travesty of the meaning the concept holds." And, he says, such a process can only take place in a polity composed of voluntary associations of individuals. Taken to its logical conclusion (which Polan may not be willing to do), this sort of polity must be a libertarian one, that is, a society in which politics in the sense of state power is brought to its absolute minimum. Rutland would call this sort of polity a *depoliticized* one, but would mean the same thing Polan means by calling it a *politicized* one. The source of what Rutland calls the politicization of life in the Soviet Union, and its effect of stifling the politics–as–discourse that Polan discusses, is, Polan shows, directly traceable to the Marxian conception of post-revolutionary society as articulated by Lenin in 1917.

Polan's direct discussion of *The State and Revolution* gets underway with a critical survey of the literature surrounding Lenin's essay. Polan shows that nearly all commentaries on Lenin's text fall into two categories, both of which fail to appreciate its true signficance in light of subsequent historical events. The assessment of *The State and Revolution* made by historians sees so profound a discrepancy between the text and Soviet history as to deprive the text of any meaning. The alternative assessment made by political radicals, on the other hand, is so sympathetic with the vision of Lenin's radically democratic ideal as to fail to understand its complicity in the rise of Stalinism: it takes Lenin's libertarian-sounding aspirations so seriously that it absolves him of any responsibility for subsequent events.

Polan challenges the historians' interpretation as being overly distanced from the text and the radicals' assessment as being insufficiently distanced from it. Interpretation demands a sufficient effort to see

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what the author was getting at as well as a sufficient effort to be critical of the author's perspective. Polan shows that most existing interpretations of Lenin's text have neglected to trace the effect the essay has had in history, and therefore its role in fomenting later events. Both the historians' and the radicals' interpretations fail, each in its own way, to perform this mediating role between the text and contemporary circumstances. For these attempts to interpret Lenin,

> The text does not enter into history, either due to its absurdity—an impossible utopianism—or its innocence—a valid libertarianism betrayed by the brutal necessities of subsequent history, or the bad faith of historical actors. Consequently the text is either *meaningless*—dead, historical, objective, a moment in one man's biography—or *excessively* meaningful, saturated with meaning, in fact sacred.

Polan, in contrast, recognizes that we can only grasp the meaning of the past by identifying how it affected the future, i.e. our present. Understanding requires a mediation between the understander and the person or thing understood. The historical and temporal distance that separates us today from a seventy-year old text is not simply an obstacle that needs to be overcome; it is a continuous source of insight. The text of *The State and Revolution* is significant to us today, for example in analyzing the Polish Solidarity movement, precisely because it has continued to have significance in the real world ever since it was written. Any adequate interpretation of its meaning requires a sustained effort to appreciate its historical effects since its original composition. Both the historians and the radicals fail to accomplish this mediating task, the historians by not taking Lenin's radical intentions seriously enough, the radicals by not taking the subsequent history of the Soviet Union seriously enough. Both kinds of misinterpretation are unable to see the *relationship* of the theory embodied in the text to the history that unfolded partly as a consequence of that text.

It is one of the central themes of Polan's study to show that ideas have consequences, so he turns from surveying the body of writing Lenin's essay has inspired to discussing its pervasive effect on the real world. If any text has had consequences for our century, this one has. *The State and Revolution* has been a blueprint for the Soviet state, Polan contends: from the February Revolution to the October Revolution, to War Communism, to Stalinism, and down to the present, the USSR has borne the imprint of the ideas in Lenin's essay. In this he differs sharply from the assessments of those he has just criticized.

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### *Lenin's Theory of Bureaucracy*

At the heart of Lenin's essay is a naive theory of bureaucracy, which takes as its model the postal service. This simplistic view of bureaucracy's organizational tasks contrasts with Max Weber's sophisticated understanding of its operation. Lenin's "confident assertions of the possibility of extending the 'postal' model to embrace the whole economy ignore the fact that the absence of a market forces the state to inherit a task of immense complexity." Weber was keenly aware of the difficulties any attempt to replace market processes with centralized planning would encounter. Polan does not happen to mention that Weber is often cited[6] along with Ludwig von Mises and Boris Brutzkus as a co-discoverer of the same argument that Rutland uses in his critique of economic planning. What Polan concentrates on in Weber's work is not so much the recognition of the complexity of the task of central planning but rather the implications of this complexity for the theory of bureaucracy. An immense organizational structure will in fact prove necessary to tackle problems Lenin supposed would be exceedingly simple and routine. Weber emphasized how dangerous this bureaucracy could be, and how difficult it would be to contain this danger whenever the responsibilities of the bureaucracy are expanded. The best Lenin offered was a meek suggestion that bureaucrats could be restrained by regular elections and a popular right of recall. Polan finds such proposals "vacuous" as methods for democratic control of bureaucracy. In Lenin's formulation, Polan says,

> The elected deputies are to be civil servants, ministers and representatives of their constituents at one and the same time. They have to make the laws, carry them out *and* criticize them. . . . If he is accepting that there are dangerous potentialities in the roles of a representative, of a legislator, of a civil servant and of a minister, his answer to those dangers border on the absurd: conflate all these roles into one, embody them in a single individual.

Expecting the bureaucrat to respond both to democratic pressures from below and to a coordinated plan being received from above, Lenin simply evaded the real problems of bureaucracy. Nor was Trotsky, for all his attention to the matter, able to address the real questions. Both of them criticize the bureaucracy for misinterpreting the general will (which for them is synonymous with Marxism), or for regarding their own will as identical to it. This neglects the essential point, though:

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the bureaucracy should not have the right to determine the general will at all. A totalitarian bureaucracy is inevitable so long as the idea of the general will is not itself rejected as nonsensical.

How have later advocates of socialism diagnosed Lenin's failure to achieve the kind of radically democratic utopia he had sketched in *The State and Revolution?* Polan shows that they have missed the real lessons of the Soviet story and thus are bound to repeat his disastrous errors should they too suddenly come to power. Many important socialists have admired and continue to admire the Soviet system for what they see as its encouraging ability to suffuse politics throughout the society, even though they acknowledge that what is being suffused is totalitarian. All that is required to achieve a genuinely democratic socialist society, they argue, is to transform this politics into a more democratic form. The fact that there is little place for a separate sphere of action outside politics is taken to be a subtle advantage of the Soviet system over Western forms of democracy that has to be weighed against the more obvious disadvantage that this suffused politics is at present undemocratic.

Polan shows, however, that it is this very lack of a separate sphere that prevents democratic processes from working. The power of the Soviet political elite is not some deficiency attributable to contingent causes; it derives from the very form of the Soviet regime, which renders democracy impossible. Precisely because Soviet politics permeates all institutions it is incapable of any genuine critical reflection on their workings. To be genuinely effective at criticizing a political system, political institutions must be able to distance themselves from what is and point to what ought to be. Only a sphere separate from the official one, a sphere composed of voluntary associations, can create such distance. In the USSR all types of association are collapsed into the official sphere. It will not become a democratic country until its politics becomes less suffused.

Having dismissed the views of those socialists, Polan next takes up the views of the highly influential Frankfurt School Marxists (especially Max Horkheimer, Theodor Adorno, and Herbert Marcuse), which at first glance might appear innocent of the sort of "subterranean authoritarianism" that Lenin exemplifies. These writers are best known for their radical critique of authoritarianism in all its forms, and have condemned Stalinism with as much enthusiasm as they have condemned Nazism. Horkheimer, for instance, has said that "the most fully developed kind of authoritarian state, which has freed itself from any dependence on private capital, is integral *Etatism,* or state social-

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Jefferson—I am tempted to say it is the only flaw of this extraordinary book—which, as a Jeffersonian, I cannot let pass without comment. And on this point, for a change, I think it is Rutland's book that can be seen as a corrective to Polan's. Although his overall discussion of Jefferson is fair, Polan makes the common error of assuming Jefferson's politics are unsuitable for a modern industrialized society. He asserts that Jefferson's principles were not in themselves ones a new nation could be built upon. He credits Alexander Hamilton's nation-building efforts to establish a federal bank and mint, and to engage in considerable government intervention in the economy as having been necessary "in order to develop a native manufacturing base." The only argument Polan gives for this position is that "an independent nation dependent for its industrial and technical needs upon a foreign power" is a "contradiction in terms."

This, it seems to me, is fundamentally confused. For one thing, it assumes that an agrarian economy that engages in trade with an industrial world is somehow deficient compared with an industrialized nation. For another, it claims that the best way to bring about industrialization is through at least some mild forms of government intervention and possibly protectionist trade barriers as well. Neither of these propositions will withstand careful scrutiny. By Polan's standards of independence no modern nation's industrial and technical needs are independent of "foreign powers." On this one issue, I think, he relies too much on Weber, who argued (unpersuasively) that industrialization is invariably accompanied by centralization and administration. Historically, it is true, the rise of the nation-state has often accompanied the industrialization process, but it has never been shown that such nation-building efforts did anything but distort the process of genuine industrialization. Though achieving high measured rates of growth of certain macroeconomic aggregates may require interventionism, true economic development, as Rutland recognizes, does not. Many of the societies that have focused least on nation-building and interventionist policies (e.g. Hong Kong) have achieved the most rapid industrial development.

## *"A Politics for the End of Time"*

The centerpiece of Polan's work is a marvellously concise summary of the origins and evolution of Lenin's thought. Since the focus of my review, however, is on the consequences of Lenin's thought for contem-

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porary socialist theory and practice—Lenin's foreground, as it were—I will not dwell on this discussion of his background. Suffice it to say that in a scant forty-five pages it provides the same kind of in-depth appreciation of the way Lenin came to his viewpoint as Leszek Kolakowski does for Marx and his ideas in the first volume of *Main Currents of Marxism*. The reason Polan accomplishes his task with such comparative brevity is simply that Lenin's world view is far more narrow or microscopic than Marx's. Of particular importance is the fact that Lenin's knowledge of Western societies was virtually limited to what Marxists wrote about them, which was almost exclusively about revolutionary episodes. He knew nothing at all of their normal stability or of the institutions and practices that comprised the body of Western society.

The one respect in which Lenin's simplistic viewpoint is similar to Marx's is in its theory of the state. While the poverty of Lenin's cultural and intellectual background distorted Marx's complex vision, it was true to Marx's own poverty on the issue of the post-revolutionary state. It is this poverty that accounts for the seductivenss of Leninism in its libertarian-sounding aspirations and the general reasons for its decay into totalitarianism. As Sartre has remarked, radical democratic freedom is an exhilarating feeling of solidarity that accompanies the revolutionary act. Polan contrasts this feeling with the lack of solidarity in everyday life: "The apocalyptic group, devoid of all complications and hesitations derived from the myriad complexities of daily life, can transact its business and pursue its goal with a speed, efficiency, willingness, and comradeship that makes formal structures and procedures practically redundant." The fact that such profoundly joyous moments are experienced is important because "political theories can be constructed to suggest that lives, not moments, may be lived this way." Socialism is one such theory. Lenin ignored the problem of bureaucracy because he did not realize that the problems of everyday life are far more complex than those of concerted revolutionary action. But soon after the revolution the apocalyptic group must direct its attention to new tasks, which include the most diverse questions of economic and social life, and must adjust to differences of opinion that inevitably develop among members of the group. Lenin's vision of socialism, and that of many contemporary socialists, is one appropriate only to the moment of revolutionary violence, to the apocalypse, but not to the realities of everday life. It is a politics suitable "for the end of time."

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*The Power of Illusions*

In the experience of a spontaneous uprising of an oppressed people against their oppressors can be found a unity of purpose and a feeling of freedom that has had an immense attractiveness to human beings throughout recorded history. The political illusion of socialism is that it is possible, somehow, to achieve a permanent commonality of projects, that is, to abolish the alienation that exists among individuals under competitive capitalism. The whole point of central planning is to render obsolete the rivalrous competitive process of markets in which individuals contend with one another for scarce resources. "Anarchic" contention is to be replaced by the kind of solidarity of purpose exemplified in the storming of the Bastille, except this unity of plans is to be extended beyond the revolutionary moment to the running of modern society.

But, as Rutland's book demonstrates at length, there is a real question as to whether this ideal of unified purposes is at all workable. Upon this rivalrous conflict of plans may depend our whole system of advanced technological production. The Mises–Hayek argument shows that the competitive market process generates and disperses knowledge that would be unavailable to would-be planners. The relative scarcities of different consumers' and producers' goods are crucial pieces of information for economic decisionmaking, but the only known way to pack such information into a usable form is to rely on an unplanned process of rivalrous contention. This process bids prices up and down in accord with diverse and independently designed plans so as to yield price information that in turn informs those plans.

The only way this information about relative scarcities might *not* be necessary for an economy's effective functioning is if scarcity itself is abolished. Polan describes the implicit view of many socialists that material abundance will eliminate the whole problem for which market price information is supposed to provide a solution:

> The scarcity that has conditioned life under all social formations so far will be negated by the achievement of material abundance that a socialist revolution will bring. If scarcity is taken as the *a priori* that gives rise to the existence of multiple, diverse and conflicting individual projects, abundance will remove the root of divisions between human individuals.

The problem for this vision, as again Rutland's book illustrates, is that it gets things backwards. It is not socialist abundance that can

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eliminate the "problem" of the rivalry of diverse human projects; rather, it is rivalry that is needed to address the problem of the inevitable lack of this abundance in any real society. Abundance is relative. It can never be absolute in the sense implied by those who foresee the end to scarcity. Every new level of human achievement opens up previously undiscovered possibilities for still further achievements. Scarcity cannot be eliminated, but the best way to address the problem of scarcity, to create the greatest *relative* abundance possible, is to rely on the competitive process. The alternative to rivalrously competitive free markets, which is "the monolithic utopia," "will always founder on the rock of divergent human values."

We can now see the extent to which what I have been calling the political and economic illusions of socialism reinforce one another. The socialists' faith in the possibility of a radically democratic *politics* as the expression of a unified social will leads them to ignore the virtue in Western capitalist societies of the separation between society and state. This makes the idea of central economic planning, the comprehensive control over the entire productive system in service to the general will, appear attractive. The socialists' faith in the feasibility of a centrally planned *economy* leads them to believe that the flaws of the Soviet economy (which they take to be an example of a truly centrally planned system) can be solved by substituting a general, democratic will for an authoritarian one. With the appearance of books such as Rutland's and Polan's it will be more difficult for socialists to retain these mutually reinforcing illusions.

The political illusion of socialism helps to explain some otherwise inexplicable facts of Soviet economic history. If, as Rutland tends to assume, Lenin was always aiming at totalitarianism and the kind of five-year planning system it now has, Lenin's recourse to the destructive policies of War Communism seems inexplicable and consequently is seen as the product of hasty thinking or excessive revolutionary fervor. Moreover, if Stalinism was always the goal, then the purges common in Soviet history seem equally unintelligible, as they are to Rutland, who contends that they "were of such an inexplicable extent and ferocity that it is impossible to uncover any straightforward rationale behind them." Polan, on the other hand, although he notes that "much of the violent history of the Soviet Union seems to defy explanation in rational terms," offers an explanation in terms of the concepts of pledge and betrayal. The Bolsheviks were aspiring to an apocalyptic utopia, a radically democratic and unified society that inspired a pledge of total commitment to the revolutionary cause. Since this

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utopian politics is only suitable "for the end of time" it was bound to fail, and the failure was bound to be interpreted by the leadership as betrayal. Betrayal of a solemn revolutionary pledge is a far more serious offense than simply refusing to follow orders. The intensity of the Stalinist terror is only intelligible to those who (like Polan but unlike Rutland) pay attention to the radical ideas of Leninism.

Betrayal is, in fact, part of the political illusion of socialism. Since failure is bound to accompany the attempt to implement an unworkable system, the search for scapegoats, for traitors to the noble cause, is already implicit in the socialist revolution before power is ever seized. In this sense, then, socialism "does not have to be betrayed to usher in authoritarianism." It will fail on its own without traitors, yet it is virtually guaranteed that its devoted followers will *see* traitors all around them.

But what basis have we to defend the humanistic diversity of values against socialism's vision of a unitary social purpose? As an alternative to the monolithic utopia and radical democracy socialism has promised but never delivered, can a humanistic liberalism offer a workable utopia in which individual rights are respected and in which the rule of law reigns? Many attempts to defend the liberal order rendered themselves susceptible to socialist criticisms by demanding a dubious metaphysics, a secular teleology that requires an implausible belief in a suprahistorical human nature whose essence is to be free and individual. Philosophy is strewn with unsuccessful attempts to establish some sort of ahistorical, universal, essence-of-man argument to ground rights as "natural." There is simply too much factual evidence of men and women acting contrary to what the philosophers consider the natural behavior of "man *qua* man" to take much of this metaphysical case for rights seriously. But Polan insists that "just because we cannot ground the free and responsible human individual in indisputable theoretical or historical argument, it in no way follows that we should not continue to believe that human beings should be free and responsible, should be treated as end and not means."

In place of such metaphysical arguments for the universality of a liberal humanism he offers a historical argument for humanistic values as necessary not for all mankind for all times, but for *our* sort of culture in the modern age. "The pluralist politics that I have sought to defend," he says, "depend fundamentally upon a unique historical product: to revert to conceptual and historical shorthand, the West European post-Enlightenment Helleno-Judaeo-Christian human subject." The modern view of "the individual conscience as the supreme

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ism." Not suprisingly, the Frankfurt School has devoted a great deal of attention to the work of Max Weber. However, Polan calls their reading of Weber "polluted by Leninism." They have used Weber's dire warnings of the dangers of bureaucracy to belittle the capacity of the various institutions of Western liberal societies to constrain authoritarianism. They describe these societies as ruled by a presumably unified capitalist class which succeeds in manipulating political movements to its own desired end. More recent followers of the Frankfurt School, such as Paul Piccone, have interpreted the ending of the Vietnam War, the Watergate scandal, and the civil rights movement in crude, simplistic terms as machinations of the capitalist ruling class. They have never taken seriously the possibility that those upheavals have resulted from and been about the existence of a constitutional state, fundamental democratic freedoms, and a functioning public sphere of debate and dissent. Marcuse has even gone so far as to claim that "it is liberalism that 'produces' the total-authoritarian state out of itself."

This inability to see a substantive difference in the democratic values of authoritarian regimes and those of Western liberal societies derives from the implicit belief that a radically democratic society devoid of any bureaucracies and run by local workers' councils is a real possibility. Once again it is the utopian attempt to transcend mere bourgeois democracy that leads the Frankfurt School to denigrate the democratic freedoms we enjoy in Western capitalist societies.

In response to this belittlement of Western democratic freedoms Polan uses ideas found in the writings of the later Frankfurt School social theorist Jurgen Habermas, and also ideas from Thomas Jefferson and the German sociologist Robert Michels. Polan sees in these thinkers a deep appreciation of some of the central points about the nature of politics and bureaucracy that were developed by Max Weber and ignored by Lenin. Habermas challenges the tendency to reduce all questions of "action" to issues of technical control and manipulation, that is, to matters of social engineering. Jefferson focuses on the important role in society of the rule of law, an idea that is conspicuously absent from Lenin's thinking. Michels, in his brilliant work *Political Parties*,[7] emphasizes a point Weber also stressed, that the chief cause of oligarchy in democratic parties is that leadership is indispensable for their very existence. The Russian socialists' inability to take such ideas seriously rendered them completely impotent to prevent the rise of Stalinism, and yet these very same issues are still being ignored by contemporary Western socialists.

There is one frustrating aspect of Polan's discussion of Thomas

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court of judgment" is the product of "a series of rather bizarre and unpredictable historical accidents" but is nevertheless "the bedrock of modern culture."

Humanistic values arose partly as a result of such acts of individual conscience as expressed in Martin Luther's famous declaration "Here I stand; I can do no other." Such values were able to win a significant place in modern culture because history coincidentally provided the technology whereby the conscience might prove victorious, that is, the printing press. The transformation of the linguistic basis of human societies from the oral to the written word constitutes a revolutionary and not easily reversible change in the nature of society. The whole possibility of complex critical thinking, of science, and of historical research is rooted in our increased reliance on the written word. Oral cultures, Polan argues, live in a permanent present; they cannot explain origins, changes and development because the more mutable oral text lacks the fixity of the written text. The printing press initiated "typographic culture," which makes literate culture the dominant mode of thought in modern society. Literate culture creates a new type of mood and a psychology: that of the independent free-thinking moral individual.

This view of the connection between literary culture and freedom leads Polan to a much more optimistic assessment of the future than Rutland reaches. Rutland treats the Soviet Union as a lasting reversion to the sort of command economy ancient Egypt had. The people living under Soviet-type regimes are not, however, the same kind of human being as lived under the Egyptian pharaohs. The historically conscious individual of modern science-influenced culture cannot easily be reduced to slavery. The very existence of modern science and industry depends on the preservation of a certain degree of individual autonomy. Polan asks,

> Can we conceive of an individual who proceeds by a *genuine* scientific method—in other words by the weighing of evidence, the testing of hypotheses, the comparison of competing explanations, the defense and explication of procedures and conclusions to peers and colleagues—and who is not the product of, who is not embedded in, the western culture of critical discourse?

The Soviet Union is a regime that aspires to be a totally administered society similar to the kind of preliterate society that worked for centuries in ancient Egypt, China, or Byzantium. But this model no

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longer "fits." The members of such genuine command economies of the past were not individuals in the modern sense and they knew nothing of choice, whereas the Soviet citizen is a literate modern man or woman. What we are seeing, then, in contemporary Soviet-type societies, "is the pale and crippled ghosts of these ancient empires." Whereas Rutland speaks in gloomy tones about the "lasting" features of the Soviet-type system, Polan argues that these regimes must ultimately fail because of the basis of their power is at odds with the typographic culture we have already become. The regime Rutland fears is unchangeable is, in Polan's view, doomed:

> The ramshackle Russian variant of oriental despotism is polluted by elements of occidental modernity, elements which work against, and not for, bureaucratic domination. It is shot through, at subterranean and undetectable levels, with the bacillus of the human subject born of modern western culture.

Thus what may have appeared to be Polan's preoccupation with textual interpretation proves in the end to be justified by the content of his interpretation. Modern culture is a profoundly text-influenced culture, one in which some degree of mutual respect for rights and responsibilities is not an option but a necessary condition. Our century has been deeply influenced by the writings of socialist visionaries whose vision on close inspection has been exposed as illusory, and in fact as inconsistent with the very typographic culture that made advocacy of socialism possible in the first place. Polan leaves us with some reasons to hope that the next century may see the development of a politics more suited to modern society.

The kind of politics that is most suitable to modern society and the typographic culture is being best developed today by the libertarian or classical liberal movement. When Rutland reveals Soviet economic planning to be a sham whose only real function is to justify political power he points us in the direction of the Mises–Hayek critique of interventionism, and thus implicitly toward the unhampered free market economy. When Polan asks for "a genuine process of discursive will-formation" he points us in the direction of the free political order in which an uncoerced discussion about our rights and responsibilities in society can be conducted, and thus implicitly toward the libertarian polity. We have seen that neither Rutland nor Polan specifically points the reader in this direction, though each has complimentary things to

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say about some key classical liberal writers such as Hayek and Jefferson. Just as Rutland explicitly dissociates his position from Hayek's laissez-faire thinking, Polan presumes Jefferson's politics to be appropriate only to a simple agrarian economy. But each of these books points unmistakably beyond itself toward a nonsocialist form of radicalism, a radical politics that truly fits our modern culture.

NOTES

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7. Max Weber, *Wirtschaft und Gesellschaft (Grundriss der Soziolökonomik,*III) (Tubingen, 1922), pp. 9–14, 55–6.
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*Milton Mueller*

# COMING TO GRIPS WITH MARX

MARXISM: PHILOSOPHY AND ECONOMICS
by Thomas Sowell.
*New York: William Morrow & Co., 1985. 281 pp., $15.95, $9.95 (paper).*

This book is the product of a fascinating intersection of opposing ideologies. Thomas Sowell is perhaps the most prominent contemporary economist to absorb the ideas of the Austrian social philosopher F. A. Hayek. Although he is best known for his controversial work on the economics and politics of race,[1] Sowell is also the author of *Knowledge and Decisions*, a long albeit flawed exploration of the "use of knowledge in society" which Sowell acknowledges was inspired by Hayek's famous essay of that name.[2] A conservative who enjoys penning polemics against pornography and "liberal intellectuals," Sowell nevertheless began his intellectual career as a Marxist. After writing his undergraduate honors thesis on Marx at Harvard in 1958, Sowell went on to publish articles on Marx in scholarly journals during the early 1960s. After a decade, Sowell's left radicalism was transmuted into free-market conservatism.

After reading this book, however, one is impressed with the continuity of this intellectual journey rather than with any apparent radical shift in direction. Sowell's exegesis of Marx's ideas is conducted with the kind of care and discrimination that could only come from someone who respects them. He has nothing but scorn for literature which takes "what is commonly believed about Marxian economics as a starting point, and then elaborately analyzes and critiques the implications of these 'Marxian' doctrines—often without a single reference to

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anything actually written by Karl Marx." He is also careful to place Marx's economics within the context of his larger philosophical system, which gave terms like "value," "alienation" and "wages" special meanings not in accord with common usage. Often this leads him to clarify ideas which otherwise would be far easier targets of criticism. Sowell is not impressed, for example, with the economist Eugen von Böhm-Bawerk's famous refutation of Marxian economics;[3] he claims that Böhm-Bawerk "repeatedly misunderstood what [he] was refuting."

What is most interesting is the way Sowell's current interests in knowledge and spontaneous order can be seen as extensions of his interest in Marx. In *Marxism,* Marx and Engels emerge as keen observers of the fact that social orders, though formed from the relatively autonomous actions of individuals, are nevertheless external to and independent of their wills. "What each individual wills is obstructed by everyone else," wrote Engels, "and what emerges is something that no one willed." And again: "the conflicts of innumerable individual wills and individual actions in the domain of history produce a state of affairs entirely analogous to that prevailing in the realm of unconscious nature. The ends of the actions are intended, but the results which actually follow from these actions are not intended." Either quotation could have been taken verbatim from Volume I of Hayek's *Law, Legislation and Liberty.* Sowell repeatedly emphasizes the point that Marxian analysis, like his own, is based on systemic interactions, not individual intentions. Marxism and Austrianism are also similar in their concern with processes rather than states, and in their view of business cycles as products of discoordination or "disproportionality" rather than overproduction or underconsumption. Sowell makes the interesting observation that Marx did for social investigation something similar to what Einstein did for physics, i.e., introduce a principle of relativity by which the (class) position of the observer becomes an integral part of the data. This taking into account of how the observer's subjective position affects what he perceives is also central to modern Austrian economics. There are, of course, important areas of disagreement between Sowell and Marx, but the similarity of method and form is often striking.

Is this apparent continuity merely a quirk of Thomas Sowell's personal history, or does it represent something more important? In my opinion, the study of Marx's ideas is of great important to spontaneous-order social theorists, and not merely as a means of acquiring ammunition to refute or discredit them. In both Hayek's and

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Sowell's work there is a nascent attempt to do for liberal capitalism what Marx did for socialism in *Capital:* namely, develop an integrated theory of social order that is grounded in a specific view of the relationship between consciousness and society. Marx's work invoked the promise of a true "science of society" encompassing economics, politics, history, sociology and epistemology. As Sowell writes, "what Marx accomplished was to produce such a comprehensive, dramatic, and fascinating vision that it could withstand innumerable empirical contradictions, logical refutations, and moral revulsions at its effects. The Marxian vision took the overwhelming complexity of the real world and made the parts fall into place, in a way that was intellectually exhilarating and conferred such a sense of moral superiority that opponents could be simply labelled and dismissed as moral lepers or blind reactionaries." While the moral superiority and blindness bred by his ideology may have been destructive, they are nevertheless tributes to the power of an integrated theory. As Thomas Kuhn has shown, people do not give up their entire worldview because of peripheral objections and inconsistencies. The objections must add up to a systemic challenge. The human mind's need for order is so strong that it will cling to a cohesive worldview, notwithstanding "innumerable empirical contraditions, logical refutations and moral revulsions at its effects," until it is replaced with something better. And as I will argue later, in many ways Marxism still meets the challenge of an integrated social theory far more comprehensively than Hayekianism or other forms of classical liberalism. There are, therefore, important lessons, both negative and positive, to be drawn from its example. Sowell's familiarity with both traditions makes him the ideal person to initiate such a comparison.

Unfortunately, this is not what Sowell is interested in doing. His critique of "the legacy of Marx" enumerates the economic fallacies of Marxism and the disastrous practical results of Leninism. But it fails to confront many of the core philosophical premises of Marx. *Marxism* contains no critique of historicism, no challenge to or even discussion of the materialist conception of ideas, no evaluation of the Marxian notion of class. Sowell is content to reiterate, often lucidly and powerfully, fairly standard attacks on surplus value, central planning, the labor theory of value, and the totalitarian dangers of Leninism.

Sowell's failure to deal adequately with Marxian class analysis is particularly disappointing. Class is perhaps the main issue that makes liberal alternatives to Marxism seem superficial and narrowly economistic by comparison. While market-oriented economists can demon-

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strate that giving free rein to the division of labor is more efficient than the alternative, they often fail to come to grips with the sociological consequences of such division, one of which is the separation of society into hierarchically arranged groups with different interests. Modern welfare-state liberalism was an attempt to reconcile liberal political ideals with the class consciousness fostered by Marxism; guilt and egalitarianism filled the theoretical vacuum. Liberal political theories also suffer from their lack of a notion of class; they make it seem as if the specific kind of political order a society ends up with is entirely a product of what its members believe, rather than an objective reflection of the interests and desires of specific groups. Failure to take class into account also makes liberalism politically impotent, unaware of who to reach out to, whose interests and rights it champions.

It is interesting that Sowell is suddenly willing to talk explicitly about "class" and "class biases" when he is attempting to discredit left-liberal intellectuals. *Knowledge and Decisions* is full of clever demonstrations of how the intellectual's leftist tilt is a product of his insulation from economic responsibility and various other "systemic characteristics" of his position in the social hierarchy. The argument is often convincing, but is it fair to use class analysis so selectively?

Generally, Sowell's work demonstrates that while conservative critics can knock down several pillars of Marx's system, they are unable to erect anything of equal scope in its place. Next to Marx, many of Sowell's attitudes toward social change seem superficial and inconsistent. His arguments against Marxism, for example, are often just arguments against revolutionary change *per se*. This is a precarious position for a defender of the market to take, however. Historically, the emergence of "capitalism" created far-reaching political upheavals that were messy, costly and violent. Furthermore, if market orders are to be extended into places where they do not yet exist—for example, if "the market" is to become truly global rather than national—there would have to be radical changes in our political institutions. David Stockman has argued recently that even something as simple as the 1981 Reagan budget proposal was "too revolutionary" to emerge from the existing system. If Sowell had his way and a more extreme version of Reaganism were enacted, it could not happen within the confines of the present system. The very fact that Sowell can advocate systemic political changes without any idea as to how they will come about is all too symptomatic of the strategic dilemma the advocates of "less government" often find themselves in. By viewing Big Government as an arbitrary growth that is somehow external to the rest of the market so-

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ciety, they are at a loss to explain either how it got there or how to get rid of it. For Marx, on the other hand, political strategy was organically related to his social theory.

There is no escape from the fact that the creation of market orders often necessitates radical changes in cultures and political institutions. The ongoing destruction of monopoly utility regulation in telecommunications is a perfect case. Technological and economic changes in communication and information processing were quietly undermining the legal and regulatory foundations of monopoly for many years before matters came to a head in the 1980s. Ultimately, however, property rights had to be explicitly reformulated. The AT&T divestiture and related changes in state and federal regulation were needed to establish a permanent basis for a competitive telecommunications marketplace. These changes emerged through politically mediated conflict; they could not have occurred through gradual and incremental changes in the market alone, because the new technologies and businesses were born into a legal environment tailored to older technological forms which blocked their natural development. What happened corresponds closely to the Marxian description of a social revolution: the property relations built around one set of production relations became the fetters of a succeeding set, and thus were rapidly and explosively shed when the contradictions between the two became unmanageable.

Marx at least has a theory of how and why such changes occur, a coherent view of how technological and economic relations are sequentially and structurally linked to the legal and juridical institutions surrounding them. Sowell (and Hayek) don't. Thus while liberals can merely *lament* the massive growth in state power that began at the turn of the century, Marxism can offer an historically testable hypothesis as to *why* this growth occurred. The state's new role, in the Marxian view, was a product of its capture by the class representatives of large-scale industrial capitalists, who needed state power to mediate the conflicts of interest among them created by the growth of nationwide industrial enterprises. This hypothesis can be used to explain the rise of federal regulation, the emergence of imperialism, the rationalization and concentration of business, etc. The validity of this view is not at issue here; the point is that Marxism as an intellectual system gives its adherents a far more powerful set of conceptual tools for analyzing society than anything as yet produced by liberals. Liberals generally have been unable to relate their social theories to the actual process of historical change.

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Sowell's *Knowledge and Decisions* was in part an attempt to work out a more integrated theory. Drawing heavily on Hayek, he analyzed social institutions, law, economics and politics in terms of the ability of humans to verify and utilize knowledge effectively. The book was a disappointment, however, for in the end Sowell merely *used* Hayekian insights to brush a thin philosophical coating over the standard conservative policy agenda. When Sowell reached the subject of military policy, for example, he suddenly dropped all talk of "the elaborate, overlapping knowledge-transmitting networks which constitute the various institutions of a complex society" and "the inherent limitations of human knowledge as it exists in any one place," to launch a conventional Cold War salvo. The double standard was evident: the domestic social engineer is incurably ignorant, but generals and military planners can make rational and informed decisions about our security. It never occurred to Sowell to extend the Hayekian critique of centralized knowledge to the nation-state. Yet the nation-state is the ultimate in coercively centralized knowledge, and its origins are essentially military.

If Austrian-influenced economics and social philosophers expect to stimulate a fundamental change in the relationship between economy and state, they had better have some very specific ideas about how the two are related historically. Political and legal institutions, like markets, must be worked into the theory of human action in a way that accounts for their genesis as well as changes in their size and scope over time. They cannot be treated as inexplicable aberrations from the normal laws of social order. Nor can their size and activities be discussed as if they were entirely products of ideas, ideologies or moral attitudes. "What each individual wills is obstructed by everyone else, and what emerges is something that no one willed." For now, Sowell meeting Marx is an interesting confrontation. But a thoughtful observer can only walk away from it impressed with how far the alternatives to Marxism have to go.

## NOTES

1. Sowell's publications on race include *Race and Economics, Ethnic America,* and *The Economics and Politics of Race.*

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2. *Knowledge and Decisions* (New York: Basic Books, 1980). Sowell wrote that Hayek's essay "The Use of Knowledge in Society" "contributed more than any other to the framework within which this work developed."
3. Eugen von Böhm-Bawerk, *Karl Marx and the Close of His System* (New York: MacMillan Co., 1898).

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*Tom Bottomore*

# IS RIVALRY RATIONAL?

RIVALRY AND CENTRAL PLANNING: THE SOCIALIST CALCULATION DEBATE RECONSIDERED

by Don Lavoie.

*New York: Cambridge University Press, 1985. 208 pp., $34.95.*

Lavoie's theme is the socialist calculation debate of the 1930s, "widely acknowledged to have been the most important theoretical controversy in the history of the field of comparative economics," but his book is far more than a concise historical account of the debate, admirably though that is done. It is, in the first place, a critical reassessment of the "standard accounts" of the debate, intended to show that the later critics of socialist central planning (Hayek and Robbins) were not obliged to retreat from the arguments originally formulated by Mises in 1920 in the theoretical framework of the Austrian tradition of economics, as these standard accounts have suggested, but on the contrary, that the defenders of socialist planning, and notably Lange and his school, retreated. More generally, Lavoie concludes that "the initial rivalry between the advocates and critics of central planning was never resolved; it was simply dissipated in confusion;" and he expresses the hope that this theoretical controversy can now be fruitfully rekindled, with the clear expectation that its revival would, in the long run, demonstrate the fundamental weakness of the socialist position, even in the era of "market socialism."

In this essay I shall concentrate on the wider issues raised by this reassessment, rather than the more technical aspects of calculation and computation; and in keeping with my own intellectual background I

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shall try to locate them in a broad framework which is more sociological than strictly economic. Lavoie begins his study with an exposition of Marx's view of socialism—which was the prime object of the Austrian school's criticism, from Böhm-Bawerk to Mises—to which, however, he attributes too narrow and definite a character. Marx, to be sure, envisaged the future socialist society as a society of "associated producers" who would "regulate their interchange with Nature rationally, bring it under their common control, instead of being ruled by it as by some blind power, and accomplish their task with the least expenditure of energy and under such conditions as are proper and worthy for human beings,"[1] but he went on to say that economic production always remains a "realm of necessity," and the "development of human potentiality for its own sake, the true realm of freedom," only begins in leisure time; and elsewhere cited approvingly the comment of an anonymous English writer: "Truly wealthy a nation, when the working day is 6 rather than 12 hours. *Wealth* is not command over surplus labour time . . . but rather, *disposable time* outside that needed in direct production, for *every individual* and the whole society." Marx's conception of socialism as an emancipated society, in which human beings would enjoy increasing leisure as a consequence of the growth of knowledge and its application to production,[2] would be liberated from class domination and participate more fully and equally in determining the general conditions of their economic and social life, unquestionably embodied utopian elements; it represented an ideal which might or might not be fully attained after the initial steps had been taken in establishing the social ownership of the major means of production. It was not utopian, however, in the sense of attempting to draw up a detailed blueprint of the institutions of socialist society, or as Marx himself scathingly put it, "writing recipes for the cookshops of the future"; and it may be argued, from a Marxist standpoint, that the development of socialist societies will necessarily be influenced by rational criticism arising from the real historical experience of their development. There is, indeed, an illuminating comment by Engels on this very question in response to a letter from Kautsky, who had raised the problem of excessive population growth, often brought forward by opponents of socialism in the late nineteenth century. In his reply[3] Engels wrote:

> Of course the abstract possibility exists that the number of human beings will become so great that limits will have to be set to its increase. But if at some point communist society should find itself obliged to regulate the production of human beings, as it has already regulated the

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> production of things, it will be precisely and only this society which carries it out without difficulty. . . . In any case, it is a matter for those people [in communist society] to decide if, when and how they act, and what means they wish to employ, and I do not feel called upon to offer them suggestions or advice. I daresay they will be quite as clever as we are.

I disagree, therefore, with Lavoie's contention that "all the essentials of [Marx's] positive theory of socialism" are "implicit in his negative critique of capitalism," insofar as this implies some dogmatic scheme of development impervious to experience and rational reflection; and more specifically with his summary statement of what is claimed to be Marx's view of the role of money in socialist society. The brief passage (frequently cited in this context) which Lavoie quotes from *Capital* refers only to the role of money *capital* as a distinctive feature of capitalist society. Neither here nor elsewhere did Marx develop systematically his general theory of money, still less apply it in a detailed way to the functioning of a socialist economy, and it remains a matter of controversy. Undoubtedly, some later Marxists derived from it a conception of socialism as a "moneyless" economy, but I think it is a considerable exaggeration to argue, as Lavoie does, that the period of "War Communism" in the USSR reflected a deliberate policy to abolish the market and the price system, rather than being in large measure an unavoidable practical response to the conditions produced by the war, the civil war and foreign intervention. A more balanced view is presented by Alec Nove, who observes:

> all the events of 1917–21 were, naturally, dominated by the war and civil war, by destruction and fighting, by depleted supplies and paralysed transport, by the needs of the front and the priorities of battle, and last but not least by the loss of vital industrial and agricultural areas to various enemies. The policies of the Soviet government in these years cannot, of course, be considered in isolation from these conditions.

Lavoie, however, accepts Mises' contention that "what is happening under the rule of Lenin and Trotsky is merely destruction and annihilation" (which ignores the major role of external forces in this destruction), and refers to the "ongoing collapse of the Russian economy of the Bolsheviks."

But the Soviet economy did not collapse. On the contrary, from the late 1920s there was rapid industrialization and growth, though at a

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terrible cost; while the collapse occurred in the capitalist countries from 1929, most dramatically and fatefully in Germany. Since 1945 the USSR has made still more rapid progress—a phenomenal achievement considering the renewed destruction, far greater than that experienced by any other nation, wrought by the Second World War, which left twenty million dead and large areas of Western Russia devastated—to become the world's second largest industrial producer after the United States, with a larger share in world industrial output than the European Community. The European socialist countries as a whole account for almost one–third of world industrial output, and two of them (the German Democratic Republic and Czechoslovakia) have probably a higher GNP per capita than the United Kingdom. As Jozef Wilczynski comments:

> These countries' share in the world's industrial output increased from less than 10 per cent in 1938 to about 30 per cent in 1970, and in 1978 it was 31 per cent (but according to some Socialist estimates it was 37 per cent). In the leading Western nations basic industrialization took some twenty-five to fifty years to achieve, but in the European socialist countries this process was completed in twelve to twenty years. In view of the semi-feudal conditions that they inherited, the absence of colonies, the widespread wartime devastation, Western boycotts and the strategic embargo and practically no aid from the capitalist world, their achievements can be described by objective observers as spectacular.[5]

This historical experience of planned economic growth raises doubts about Lavoie's main thesis, which is that Mises' original criticism of central planning was never properly met, still less refuted; and by implication, therefore, that the argument concerning the impossibility of an efficient planned economy, even in the modified form of "market socialism," remains valid. The doubts arise from what seems to be a contradiction between the implicit contention that capitalist, free market economies are inherently superior to socialist economies, and the record of postwar economic growth, as well as the prospects for the medium-term future; and they lead on to broader issues concerning the kind of analysis which would be most fruitful in the comparative study of economic systems. The weakness of Lavoie's position, as I see it, is due in large measure to the way in which he approaches the subject, as outlined in his introduction. I agree with him that pure empiricism is not a worthwhile method, in comparative economics or anywhere else; that facts are to some extent theory-determined (that is to

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say, interpreted and connected in some theoretical framework). But pure theory, uncontrolled by empirical evidence, is also inadequate. The error lies, I think, in the sharp separation of theory from empirical investigations, which have the function in all scientific enquiry of testing theoretical principles and conjectures; though one may admit that in the social sciences especially this is a complex, difficult, and often inconclusive process, because of the extent to which concepts and models are impregnated with various extra-scientific values.

This is not the place to expound an empirical study of my own, but it is perhaps worthwhile to indicate a few important empirical considerations. One is that economic growth in the capitalist countries after 1945—far more rapid than in any previous period—took place in conditions of increasing state intervention in the economy and partial planning. On the other hand, the recent experience of the United Kingdom under a government which is firmly, even fanatically, committed to private enterprise and the market, is one of accelerating deindustrialization and the achievement of a remarkable combination of private poverty and public squalor, which compares very unfavorably with the situation in more socialist Western countries such as Sweden and Austria.

A second weakness in Lavoie's approach seems to me the exclusive concentration on microeconomic analysis, when the comparative study of economic systems requires above all a macroeconomic theory. (It should be mentioned, however, that in a subsequent work, *National Economic Planning: What is Left?*, [6] Lavoie has undertaken a macroeconomic analysis; but this seems to me still insufficiently empirical in its approach, though it deserves more ample discussion than is possible on the present occasion). My own view is that the most useful macroeconomic theory available to us at present, for comparative studies in general, and more particularly for the study of economic growth, is still that of Marx. It was indeed highly regarded from this aspect, though strongly criticized in other respects, by Schumpeter; and a more recent writer, Karl Kühne, has argued that Marx "created the basis for modern macroeconomic theory" and "did at least sketch the transformation of the social system as far as the era of automation."[7]

This is not to say that Marx's economic and social theory, in an unreconstructed form, can provide immediate answers to all questions, especially with regard to the process of socialist development. The present-day socialist societies encounter a variety of problems—economic, social and political—and socialist planning, like all human action, is and will be continually modified as a result of practical expe-

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rience and rational criticism, in diverse and changing historical circumstances which cannot be wholly foreseen. What can reasonably be expected in the medium term, however, is that the socialist economies will continue to grow at a fairly rapid rate, and that a greater decentralization of decision-making, along with a limited development of markets within the framework of a central plan, will increase the efficiency of production in individual enterprises and improve the supply of consumer goods, as well as bringing other benefits.

Lavoie, following Mises, emphasizes above all the importance of the price system and a free competitive market for the efficient, or rational, allocation of scarce productive resources between alternative ends, but more particularly the effectiveness of its equilibrating function resulting from the competitive struggle among entrepreneurs, as against the difficulties of socialist "coordination." How rational or effective it is in practice can only be determined, as I have argued, by more empirical studies; but the argument also raises a variety of other problems, some of which no doubt go beyond the sphere of economic analysis in a narrow sense yet cannot properly be excluded entirely from macroeconomic comparisons. Thus, Lavoie, in discussing Mises' views, observes that "no claim need be made here for an ethical justification of the manner in which distribution of social wealth takes place through the price system." But this is by no means a negligible element in the comparisons to be made between economic systems; nor is it entirely disjoined from the question of their "rationality" if, for example, we take account of Max Weber's distinction (cogently summarized in Rogers Brubaker's *Limits of Rationality*[8]) between "formal" and "substantive" rationality, the former referring to "the calculability of means and procedures," the latter to "the value (from some explicitly defined standpoint) of end results." Weber used this distinction in his analysis of modern capitalism (in *Economy and Society)*, noting that formal rationality does not guarantee the adequate satisfaction of needs, and that capitalism could be criticized, from a particular value standpoint, as substantively *irrational* in respect of the social distribution of economic welfare and the subordination of workers to authoritarian and strictly disciplined control by entrepreneurs.

Such considerations, involving value judgments, are always implicitly present in macroeconomic comparisons, and in my view they have to be made explicit if comparative studies are to acquire a practical significance. There is something remote and unworldly in a comparison between economic systems which does not take account of the extent of poverty and deprivation, slums, mass unemployment, illit-

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eracy, the adequacy or otherwise of health and educational services, the extent of public amenities or public squalor, and the degree of personal liberty in all spheres of life. This is not only a matter of comparing what are seen at present as more or less distinctively capitalist and socialist societies, but also of considering the differences that exist in Western Europe, for example, between societies which are more "socialist," in the sense of having more public planning and more advanced welfare systems, and those which are more "capitalist."

There is one major theme in Lavoie's book which epitomizes these issues; namely, the fundamental importance that he attributes to competition or rivalry—incarnated in the social role of the entrepreneur—as an equilibrating factor and as the motive force of economic growth. I have already indicated some doubts about the efficacy of competition, as opposed to planning, in promoting economic growth, but there are also larger questions, which we can scarcely ignore, about the social consequences of rivalry. Lavoie himself recognizes that "not all rivalrous struggle leads to beneficial consequences in society," but he does not pursue this thought, and so far as the economic sphere is concerned he adheres closely to the view of the Austrian school that rivalry is supremely valuable. Here, however, we need to pose two questions: one which is predominantly factual, concerning the economic and social benefits of rivalry compared with those of other human impulses and forms of action such as cooperation and mutual aid; the other a matter of social philosophy, concerning the kind of human society we should aspire to create, which provokes admittedly vast and unwieldly, but I would say inescapable, debates about the "quality of life" and the nature of a "good society." Everyone, I suppose, would concede that rivalry has to be regulated and limited in some way (for example, the rivalry between nation-states which has brought much misery in the past and appears still more threatening in the nuclear age), and disagreements arise mainly over the degree and manner of this control. My own view is that non-competitive social attitudes should be more strongly encouraged, and my judgment of the world of unconstrained economic competition is close to that expressed by J. S. Mill in his *Principles of Political Economy,* who said, "I confess I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind, or anything but the disagreeable symptoms of one of the phases of industrial progress."

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From this broader perspective my disagreement with what I take to be Lavoie's underlying conception of how the societies of the late twentieth century should develop is very considerable. But in that respect his cogently argued book eminently achieves its purpose of reanimating a central and crucially important debate, and if I am not mistaken about the scope of his argument it has also the great merit of reintegrating economic theory with a more general theory of society, which must in the end provide the framework of comparative analysis.

NOTES

1. *Capital,* vol. 3, ch. 48.
2. Karl Marx, *The Grundrisse: The Foundations of the Critique of Political Economy,* trans. M. Nicolaus (Harmondsworth, England: Penguin, 1973), pp. 704–6.
3. February 1, 1881.
4. Alec Nove, *An Economic History of the USSR* (Harmondsworth, England: Penguin, 1972), p. 47.
5. Jozef Wilcynski, *The Economics of Socialism: Principles Governing the Operation of Centrally Planned Economies Under the New System,* 4th ed. (Winchester, Mass.: Allen & Unwin, 1982), p. 215.
6. Don C. Lavoie, *National Economic Planning: What is Left?* (Cambridge, Mass.: Ballinger, 1985).
7. Karl Kühne, *Economics and Marxism,* 2 vols., trans. Robert Shaw (London: Macmillan, 1979), vol. 1, pp. 4–5.
8. Rogers Brubaker, *The Limits of Rationality: An Essay on the Social and Moral Thought of Max Weber* (Winchester, Mass.: Allen & Unwin, 1984), pp. 35–43.

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*Peter Rutland*

# THE CASE OF EASTERN EUROPE

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PRIVATE ENTERPRISE IN EASTERN EUROPE: THE NON-AGRICULTURAL PRIVATE SECTOR IN POLAND AND THE GDR, 1945–83

by Anders Aslund.

*New York: St. Martin's Press, 1984. 320 pp., $29.95.*

COLLECTIVE FARMS WHICH WORK?

by Nigel Swain.

*New York: Cambridge University Press, 1985. 320 pp., $39.50.*

LABOUR AND LEISURE IN THE SOVIET UNION: THE CONFLICT BETWEEN PUBLIC AND PRIVATE DECISION-MAKING IN A PLANNED ECONOMY

by William Moskoff.

*New York: St. Martin's Press, 1984. 225 pp., $27.50.*

COERCION AND CONTROL IN COMMUNIST SOCIETY: THE VISIBLE HAND OF BUREAUCRACY

by M. Hirszowicz.

*New York: St. Martin's Press, 1985. 256 pp., $27.50.*

Academic writing on Eastern Europe tends to follow certain well-trodden paths: above all, attention gravitates towards the relationship between the various socialist states of the area and their Big Brother to the East.

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The key political question is the extent to which the communist leaders of the area are able to pursue policies which reflect the particular circumstances of their own country, and perhaps build some indigenous support. Somewhat paradoxically, such a strategy is seen by the USSR as threatening rather than consolidating the grip of socialism on the area, since the Kremlin wants these leaders to be in no doubt that they are in power not because of any popular legitimacy they might accrue but solely because of their dependency upon Moscow.

The key economic questions are those of dependency and reform. What are the net effects of the region's economies being so heavily locked into that of the USSR: who gains, who loses, and how has the balance shifted over time? This is a controversial and somewhat technical area, involving argument over relative prices, and how the East Europeans might have performed in the absence of an easy market to the east. The balance of the argument tends to shift in accordance with changes in Soviet energy prices. As for the second issue, writers are much exercised with the possibility of reform sweeping the area. Given that these nations have a historical and economic heritage distinct from that of the USSR, it is thought that they might at some point be able to break out of the imposed pattern of Soviet-style socialism and erect some new form of socialist order—"market socialism," "socialism with a human face," "self-managed socialism," or whatever. Given the political constraints alluded to above, however, the historical record has shown time and again that even if these reform currents do not fall prey to internal problems (as in Hungary since 1968, or Yugoslavia) they will be curtailed by external pressure (as in 1956, 1968, 1981).

The books reviewed here all attempt, in their varying ways, to break out of these modes of analysis, and ask new questions about the dynamics of a socialist society and economy. They eschew pursuit of the grail of reform, assuming instead that the variety of socialism currently installed is there to stay. They are interested instead in exploring the ways in which the system works on a daily basis: in particular, its impact on the lives of ordinary people. The themes they address are highly varied, as is their relative success at wrinkling out reliable detail as to what really happens in some hitherto neglected fields.

Aslund, a Swedish diplomat who completed a doctoral dissertation at Oxford under the Polish emigré Marxist Wlodzimierz Brus, provides us with a painstaking study of the role of the private sector in East Germany and Poland since 1945. He looks not at the individual

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peasant farmers, who have been the object of considerable study in their own right, but at private entrepreneurs operating in towns and cities as craftsmen and shopkeepers. At present they represent roughly 5 percent of the workforce in these countries: not a staggering number, perhaps, but it is still somewhat surprising to find them there thirty-five years after the installation of regimes pledged to their ultimate abolition. Moreover, their low number belies the fact that they play a crucial role in certain areas of the economy—running for example 36 percent of the retail outlets in East Germany and 96 percent of the taxis in Poland. Above all, the private sector is worthy of close study because, as Aslund puts it, it is "a merciless mirror of the flaws of a socialized economy."

Private operators persist in those areas where the service requires a degree of flexibility which the socialized sector seems incapable of providing, examples being seasonal tourist services and the retailing of perishable produce. Part of the problem is that many of these services are so small-scale that they cannot win sufficient resources from the planners even if the state does take them into public or cooperative ownership. Craftsmen, catering establishments and so forth lose out in the bureaucratic allocation process to the big guns of the socialist economy: the rich and politically influential industrial combines.

Aslund detects an erratic cycle in state policies towards the private sector. The state starts from the ideological premise that all economic activity must be socialized—although, as Aslund points out, many officials like to think of themselves as "pragmatic" men, opposed to private enterprise on efficiency grounds, not realizing that their "practical" beliefs are the product of their Marxist indoctrination. They then launch campaigns to push the entrepreneurs out of existence (through taxation, withdrawal of licenses or whatever), but find to their horror that gaps appear in the provision of vital services to the population, leading to an expansion of the black market, and popular unrest. They relent, relaxing controls on the private sector, but within a year or two the ideological bias reasserts itself, usually in the form of a campaign against the alleged Croesus-like wealth of the private operators. Aslund concedes that the median income of entrepreneurs may be anything from two to eight times the average industrial wage, but argues that journalists—playing a far from liberal role, contrary to their usual image—artificially whip up sentiment against the rich and corrupt, treating the two categories as synonymous. Restrictions are then restored.

This cycle has played out in a rather different fashion in Poland and

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East Germany. Poland, surprisingly, comes out as the more doctrinaire of the two, with repeated efforts from 1947 on by hard-line communists intent on wiping out the private sector (compensating, perhaps, for their inability to collectivize agriculture). Polish entrepreneurs have therefore failed to break out of a "wartime speculator"-type role, and remain highly exposed to prosecution by the legal authorities. Soviet plans for East Germany crystallized fairly late in the day, and a Stalinist drive against the private sector only lasted six months in 1952. Private employment stood at 37 percent in 1957, but was whittled down by campaigns in 1958 to 1960 and in 1972, which were both followed by spells of liberalization. Thus while the overall trend in Poland has been a growth in private sector employment from 1955 to 1980 (from 350,000 up to 700,000), in East Germany over the same period it has fallen four-fifths (from over 2 million down to 500,000).

Despite the persistence of private enterprise in the cities of Poland and East Germany, one should not imagine that these activities presage a "rolling back" of socialism. Most of the operations are small-scale, with two or three workers, and suffer from severe undercapitalization. (There is a maximum limit of six workers in the Polish private sector and an informal limit of ten in East Germany). The cycle of tolerance and prohibition is likely to continue for the foreseeable future.

The situation is roughly similar in Hungary, where the non-agricultural private sector accounts for less than 2 percent of national income, but for roughly half of all personal services and house building. Swain's work looks not at the urban private economy, but at the balance between private and collective operations in the Hungarian countryside. Swain finds the two sectors coexisting in a relatively stable symbiosis, due to a deliberately cautious state policy, dating back to the collectivization campaign conducted by Kadar from 1959 to 1962. On one hand, this drive did represent a concerted effort to eliminate the full-time private farmer, as a consequence of which the agricultural working population fell by one-third from 1960 to 1965. However, the state did not seek to pump resources out of the rural sector to subsidize its industrialization plans (the classic Soviet pattern), nor did it seek to eliminate the private plots (although there were restrictions on private livestock holdings, until 1970). As a result of these policies, Swain argues, state and collective farms pay a competitive price for their labor, and have incentives to operate efficiently—in marked contrast to the USSR, where procurement quotas, rather than economic calculation, are the order of the day, and the collective farm peasants are kept on the land through the restrictive internal passport

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system, a device functionally equivalent to practices such as serfdom or apartheid in controlling internal migration flows.

The Hungarians have sought to integrate family labor on the private plots into the operations of the socialized farms. Over half the population (including town dwellers) have private plots of one or two acres in size, upon which farmers typically labor for two to three hours per day. (There are strict tax restrictions on the hiring of outside labor.) The plots provide 30 percent to 50 percent of farmers' incomes, and supply around 40 percent of all produce marketed. Hungarian regulations are more generous with regard to the private plots than is the case elsewhere in the socialist bloc, with a system of grants and loans to aid farmers, and, for example, a procedure introduced in 1970 whereby farmers are given cooperative labor day credits in return for looking after livestock later sold to the collective farm.

In the light of the considerations mentioned in the preceding paragraph, Swain is well-advised to insert the question mark after his provocative title, *Collective Farms Which Work?* The meat-laden shop counters of the Hungarian "miracle" which so impress visitors to Budapest would appear to owe more to the state's toleration of private enterprise than to the success of its collective farms *per se*. The prominent role of the private sector is not, it would appear, the reason for Swain's own reservations, however. He judges the system an "economic success, but a social and political failure" because the organs of collective decision making in the farms do not function freely, and power lies in the hands of young, technically-trained managers. Swain is agitated by managerial practices such as employing useless workers at rock-bottom wages so as to keep their farm's average wage below the planned maximum. (Any excess wages would have to be paid out of the managers' own bonus fund.) Swain seems to let his own socialist sympathies get the better of him, in that he attributes this sort of distortion to the social power enjoyed by the managers, rather than recognizing it as a simple, logical consequence of central planning. It is logical for planners to set maximum wage limits, since without them managers will bid up wages in their competition for scarce labor, and this would lead to inflationary pressures since planners have not planned consumer goods production to soak up these additional wages. It is also logical for managers to retain good workers by means of "excessive" pay increases, and to protect their own bonuses by employing derelicts. Thus the managers should not be seen as some evil "technocratic" class who have hijacked the society: rather, they are mere cogs in the wider machine.

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Mention of labor scarcity brings us on to Moskoff's volume, an ambitious attempt to examine the trade-offs made in the private lives of Soviet citizens. Moskoff addresses one of the central paradoxes of the command economy. While the planners make elaborate efforts to monitor the production of the most trivial items, they face practical limitations in trying to control the behavior of individuals as consumers and workers. Only a full-scale rationing system could eliminate all elements of consumer autonomy, and only a society run along military lines could tie workers to particular workplaces, or force them to spend their leisure hours in certain approved ways. Although various moves were made along these lines during the Stalin years (workers were formally barred from changing jobs from 1940 to 1956, for example), and although control over the supply of goods and services legally available gives the state a powerful lever of influence over individual behavior, the Soviet citizen has been left with a narrow but irreducible area of free choice..

Moskoff combs official Soviet sources, imperfect though they are, for evidence as to the way in which Soviet citizens have exercised their discretion in the worlds of work and leisure. As his densely detailed narrative unfolds, however, the impression grows that there is actually very little discretion left for Soviet workers and consumers. Moskoff begins by noting the most outstanding aspect of worker freedom in the USSR—the fact that some 29 percent of workers switch jobs each year (compared to 4.3 percent in the USA)—escaping low wages, poor conditions, oppressive management, hard work, or plain boredom. (Not that things are likely to be any better in their new workplace.) Workers feel able to flit in this manner not only because of the absence of unemployment, full employment being a feature of the Soviet system not solely on moral or ideological grounds, but also because the planners over-invest as part their desire to force the economy down the path of rapid growth, without providing arrangements which would be conducive to growth through the more productive use of their capital and labor assets. Headlong "extensive" growth through the accumulation of capital leads inevitably to labor shortages, and hence a margin of freedom for the Soviet worker. Whether he or she is really any better off with this freedom to move between jobs is rather doubtful. Bear in mind also that urban workers may have more mobility than their rural counterparts (many of whom, as was noted above, are denied internal passports) but even for them twenty or so of the larger and more popular cities (popular because of better consumer supplies) are "closed" to new migrants.

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Moskoff spends most of his time examining the time budgets of Soviet workers. The average work week in industry has fallen from 47.8 hours in 1955 to 40.6 hours in 1980. As far as he can judge, Moskoff concludes that workers have chosen to spend their extra time in leisure, rather than in seeking additional income from employment (except for rural workers, with their private plots). Male workers have also declined to use their additional time to ease the housework burden of the female partners: the average woman continues to labor on the home front some fourteen hours per week longer than the men. Whether these trends can be identified as expressions of worker "choice" is rather doubtful. There are relatively few opportunities for workers to seek additional income in a legal manner: overtime is fairly extensive (approximately ten hours per month), but is called for by managers in a fairly coercive manner during end-of-the-month "storming" periods, when the pressure is on to meet plan targets, and when the month's allocated supplies are finally arriving from other plants struggling to meet *their* monthly targets. It is difficult to believe that workers are positively choosing leisure when facilities appear so poor and levels of dissatisfaction with how people spend their leisure time so high. For example, roughly half of Soviet citizens spend their holidays at home because of lack of hotel facilities—the organized group tours which are something of an emblem of the USSR's collective society only drew in 8 percent of the population each year.

Time after time in the course of the book one finds evidence as to the persistence of state attempts to minimize individual choice. Take, for example, the low level of part-time work in the Soviet economy—accounting for only 1 percent of the working population. This is a product of the state's policy of obliging all able-bodied adults except students, the elderly and women looking after children under eight to work full-time in the socialized sector. As a result, factories pay little attention to part-time work, and face some disincentives to its introduction (for example, their productivity indices are calculated on the basis of full-time equivalents). Surveys estimate that 60 percent of women currently caring for their children at home would prefer to take part-time work if it was available. Why, then, does the state not act to tap into this idle labor? The reason is that the planners fear that some women with children currently working full-time may prefer to drop into part-time work, thus negating the hoped-for addition to the labor force. Thus, the state does nothing, while millions of women who want to work a little are forced to stay at home, and millions who want to work less are forced to stay in full-time work.

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A similarly bleak calculus underlines another example of labor/leisure choices from the Moskoff volume: pensioners choosing whether or not to stay in work beyond retirement age. As regulations governing the amount of pension working pensioners were allowed to draw were relaxed in 1964 and 1970, the proportion of working pensioners rose—from 10.1 percent in 1964 to 24.3 percent in 1975. This tells us that the labor supply curve of pensioners is upward sloping—pay them more and they will work more—but in the absence of more details regarding income distribution, cost of living, and so forth, we can have little idea of the factors driving this option for work. Sheer economic necessity presumably plays a decisive role.

Another area of relative freedom of choice which Moskoff examines is that of seasonal work in the countryside. Farms—as a rule chronically short of labor—are obliged to bid for temporary employees at competitive rates to bring in the harvest and carry out construction projects. Three-quarters of building work in rural areas is carried out by seasonal labor, and all told some 12 percent of state farm labor is hired from outside on a temporary basis. (This data, like most to be found in this book, comes from Soviet studies of the late 1960s.) Even here, however, the heavy hand of the state is at work. Regulations forbid farmers themselves from abandoning their full-time posts to take advantage of the seasonal market; and the majority of seasonal workers are school and college students and industrial and administrative employees who are compulsorily directed to harvest teams in the summer months. This practice increased two- or three-fold in the course of the 1970s, attracting widespread press criticism from educationalists, economists and factory managers (not to mention the participants themselves). Poor harvests and continuing migration to the cities left farm agencies with little choice but to appeal to party officials for labor drafts from the towns—in the absence, of course, of price and wage policies reflecting the true costs and benefits of food production.

The general thrust of these works, then, is to explore the scope for autonomous private activity within the interstices of the command economy. One's initial surprise that scope for individual initiative still exists in certain areas gives way to a dawning realization that this autonomy clings to existence on the fringes of the socialized economy, on suffrance from the state. It is almost an exaggeration to say that the state *tolerates* this activity: the official attitude is one of contempt and hostility, and the state seeks to constrain the scope for individual decision making—whether it be shopkeepers in Poland or state employees

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choosing how long to work in the USSR—as much as is practically possible.

All of these works concentrate on legal private activity: illegal, black-market activity is beyond their scope of study. It is of course extremely difficult to study the "second economy" in the socialist bloc: official sources are sparse to nonexistent, and interviewing emigrés is about the only research strategy for scholars who wish to rise above speculation and anecdote. Suffice it to note here that something of the order of 15 percent to 25 percent of average family spending in the socialist bloc probably circulates through the black economy: the state monopoly of large scale production, the requirement that all adults work full-time in public enterprises (except for the cases discussed above) and the strict legal penalties against corruption and speculation prevent the black economy from spreading any further. Indeed, with improvements in the supply of consumer goods over the last twenty years, and with the increasing sophistication of state regulatory agencies, the "second economy" may well have declined in importance since the Second World War (with an upturn during the recession of the late 1970s).

The Hirszowicz volume, *Coercion and Control in Communist Society: The Visible Hand of Bureaucracy,* provides a welcome sense of perspective to our discussion. Her principal theoretical point is a simple one but one that bears repeating nevertheless. The socialist system is built around the denial of autonomy for social and individual forces by the state. The state takes it upon itself to solve all social conflicts, but in so doing it creates new social conflicts, while destroying the mechanisms which society had developed over the years for resolving conflicts of interest short of coercion. Primary among the latter is the market—in G. Grossman's precise phrase, "passive money equals active party." Her general argument, then, is that coercion becomes the central feature of a socialist command economy. The masses have to take to the streets to make their grievances felt, and the state finds that even if it resorts to concessions (as in Poland in 1956, 1970 and 1976), the problems only recur in a more acute form at a later date.

Most of the volume is taken up with an illuminating and thorough analysis of the course of Polish politics over the past thirty years. She is particularly perceptive on the "gamble on growth" launched by Gierek in the 1970s. Having let the consumerist genie out of the bottle, the state found itself confronted by a population with exploding expectations and an economy woefully unable to satisfy them.

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However, the analysis of coercion *per se* as the key factor holding together the socialist system requires further elaboration. Socialist authorities have alway been judicious in their use of both the stick and the carrot, and their use of the stick has in certain respects been more psychological than actual. By this we mean that deaths from state violence in the socialist bloc tend to be lower than in other nondemocratic polities (in the post-1950 period, at least). Witness the curious case of what Peter Wiles described as Poland's "auto-invasion" of December 13, 1981. The declaration of martial law is certainly a major argument in Hirszowicz's favor, distinguishing her, for example, from the innumerable commentators of both left and right who saw Solidarity as a phenomenon signifying the undermining of the state by society itself, from below. That argument is now strangely silent. But the military takeover itself was a relatively swift and bloodless operation. Why so? This can partly be attributed to the astuteness of the modern-day Machiavellians sitting in the Kremlin, playing upon the psychological weaknesses of their satellites. (The Czech history of foreign occupation made invasion the ideal tool in 1968, while the history of Polish national resistance called for a home-grown solution in 1981, to *preempt* outside invasion). We would not go along with those who talk of a "social contract" between the masses and the state, since there is every indication that the masses would prefer alternative social arrangements (virtually *any* alternative) if only they had any choice in the matter.

However, one should note (as Herszowicz does) the relative success of socialism in building up a cadre of indigenous communists with a stake in the preservation of the existing system. Their "stake" is not based upon popular legitimacy (to echo a point made in our opening paragraph), but on pure self-interest. According to one Soviet official's anecdote, a harrowing film is kept (for private official use) of communist and secret police officials hanging from lamposts during the Hungarian revolution of 1956. In addition, there is no disguising of the fact that it was street violence which put these regimes into power in the first place; rather, they are proud of this heritage, with the Czechs even going to the lengths of organizing an ersatz street revolution in February 1948, when power was already in their hands. This background leaves the regimes fully prepared to use coercion with ruthless efficiency whenever they deem it necessary.

This is the reasoning, we surmise, of those in power. What of the psychology of the masses? We would suggest that one important reason for the inordinate awe in which the masses hold the coercive state

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apparatus of the socialist state is the state's manifest control not so much over bodies of armed men, as over the economy itself. The experience of work in a command economy becomes a daily lesson in the power of the state. Given the state's control over the means of livelihood, it is difficult for people to embark upon a course of action (dissent, strike, or whatever) which may threaten their own position in the economic system, or even the stability of the system overall. Bodies of armed men are only wheeled out at distant intervals, and the masses could always hope (witness Iran or the Philippines) that the conscripts will change sides if push comes to shove. Thus, in a curious way Marx may have been right in his economic determinism: control the process by which people produce and acquire wealth, and the politics will take care of itself. We are stating our point in deliberately stark terms, of course: no socialist state could do without its armies, riot squads, prisons and bans on autonomous political activity. But while personal mobility (Hungary) and religious freedom (Poland) may be compatible with the socialist state, private economic activity is not. Hence the constraints and restrictions detailed in the volumes reviewed here.

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*Jeremy Shearmur*

# POPPER'S CRITIQUE OF MARXISM*

## *Epistemology*

At the heart of Karl Popper's criticisms of Marx lie ideas from his epistemology. What is more, as Popper's account in *Unended Quest*[1] makes clear, problems relating to Marxism were an important point from which his ideas on epistemology developed:

Popper, spurred by his emotional reaction to the death of some workers during a protest, was led to question the claims to *scientific* status of the Marxist ideas of which he, at the time, was an adherent. This theme of the practical responsibility of intellectuals, and the problem of how to take care that one does not needlessly cause suffering, is an important theme throughout Popper's work. And it is obviously pressing if one is contemplating political action.

Popper's response to his problem—the well-known story is summarized in *Unended Quest*—was to contrast the attitudes of Marxists with those of Einstein. Popper's claim, here, was that while Marx's ideas *were* testable, they were reinterpreted by Marxists, in connection with the Russian Revolution, in ways that called into question the scientific character of Marxism.

But from this at least three problems arise:

(1) How adequate are Popper's ideas about the character of science? The literature here is vast. But one argument of Popper's from *The Logic*

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*of Scientific Discovery,* is, I would suggest, of particular pertinence. How, he asks, do we set about the task of distinguishing whether some or other consistent theory is about our world, as opposed to being about some other possible one. And his answer—that we should prefer those theories which are in principle most easy to test, and which have stood up to tests—still seems to me better than any alternative.

From this, there can be deduced Popper's answer to his early concern about practical political action. That is to say, am I here using the best and best-tested theory? It is not without its difficulties.[2] But it is a serious response to a serious problem—a response that must be faced by those who are attracted to the idea of Marxism as a science. (It is striking that Louis Althusser, who espouses a "scientific" reading of Marxism, himself fails to provide *any* solution to this problem, as on the basis of his views, the ideas resulting from any well-established practice would appear to be able to claim "scientific" status.)

(2) Suppose that Popper's ideas about *science* are accepted. It might still be claimed that his criticism of Marx fails, because the case of the Russian revolution does not constitute a counter-example to Marx's views. Three separate arguments might be advanced here.

First, it has been argued that Marx himself was more flexible in his views than Popper would suggest. Marx *did* make statements, especially on the subject of Russia, that seem to indicate that he personally rejected the interpretation of his views that was being offered by Russian "Marxists," whom one might have thought were simply applying his own theories to the case of Russia. For example, he referred to his treatment, in *Capital,* of the development of capitalism, as if it were to be taken simply as a sketch of historical developments in Western Europe. And he seemed to suggest that, in Russia, socialism might be built upon village communes, in a way that might avoid Russia's having to go through a bourgeois revolution and capitalism.[3]

But such points, *in themselves,* are points of weakness in Marxism, rather than strengths or answers to Popper's criticism. For they would seem to indicate that Marx's views do not say as much—in the sense of ruling out as much—as might have appeared to be the case from, say, *Capital* or *The Communist Manifesto.* There might be some way in which Marx's later pronouncements could be squared with these earlier ideas in a way which still asserted something bold. But Marx himself certainly did not do this. And it is by no means clear that this has been accomplished by any subsequent writer in the Marxian tradition.[4] And this, in turn, calls into question the issue of the form of political action—if any—in which people should be engaged.

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Alternatively, it could be claimed that the very problems which Popper highlights (about the Russian revolution) have already been dealt with *in a way that is perfectly acceptable from Popper's point of view,* by non-*ad hoc* auxiliary hypotheses, within the Marxian tradition. For, it could be said, there is sufficient room to explain all these matters in terms compatible with the more usual reading of Marx's work, if one takes into account Lenin's ideas about Russia as the weak link in the capitalist chain, and imperialism, etc. Perhaps. But as things stand, this suggestion still seems to me to have the status of a program for future research rather than something that has actually been accomplished. And for Popper's problem about political action to be solved, this is something that would have to have been *done*.

Last, it might alternatively be argued that parts of Marx's work must simply be discarded. Thus W. A. Suchting, a Marxist of a sort, has argued (in a manner that is actually close to Popper's final view of Marx), that the valuable situational analysis must be separated out from the (less valuable) historicism and determinism. But if that is done, what a Marxist would need to show is that, from such an approach, the political message of Marx's work can be reconstituted, and Popper's problem about practical political action resolved.

(3) Finally, it might be questioned whether Popper was right to consider Marxism as a science. Here there are two alternatives.

First, it might be argued that, even when Popper wrote, there were available alternative, non-scientific readings of Marx's work, such as Lukacs's *History and Class Consciousness,* and Korsch's *Marxism and Philosophy.* But I think that Popper's concentration upon claims of Marxism to scientific status was completely legitimate. For while such alternative readings of Marx existed, they were hardly of practical importance at the time at which Popper wrote; and his concern was very much with issues of practical human well-being. In addition, it might be argued that it is not clear even today how these authors intended their readings of Marx to be appraised, (i.e., whether their readings relate to our world rather than to some other possible one), or how they can assist in making a rational appraisal of the appropriate form of political action.

Second, it *might* be argued that Marxism is less a substantive scientific theory than a research program together with an associated method. Marx's "guiding thread for his studies" of the preface to *A Contribution to a Critique of Political Economy*—an important programmatic statement of his views on history—certainly seems to have such

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a character. And Engels, in his letter to Schmidt of 1890, stated, "our conception of history is above all a guide to study."

Popper himself remarked on the fact that "Marxists, when they find their theories attacked, often withdraw to the position that Marxism is primarily not so much a doctrine as a method." He argued, further, that "it is wrong to believe that, as a method, it must be secure from attacks," and urged that we must ask whether or not it is a fruitful method.

A research program can be appraised both as a philosophical theory, and in terms of its fruitfulness. If Marxism were simply a historiography, and a way of interpreting the world, all would be fine. But *given* that, from a Marxian point of view, the point is to *change* the world, something more may, I think, legitimately be required of the Marxist: a specific account of why we should take his claims as claims about *our* world; and an explication of the moral basis upon which any political choices are to be taken.

To sum up: Popper's epistemological criticisms seem to me very much to the point, and to present the Marxist with a considerable case to answer. This case does not even depend on the correctness of Popper's own solutions to the problems that he raises. It relates, rather, to the basis upon which the Marxist prefers one political course of action to another; and to the basis upon which the Marxist pictures his theories as being about *our* world, rather than some other, possible one. What is needed here, I would suggest, is the explication of some account of the standards that are here claimed to be appropriate—one that is plausible independently of the author's substantive commitment to Marxism—and then a detailed argument to the effect that Marxism indeed stands up on the basis of these standards.

## *Methodology*

Popper is perhaps best known for his *methodological* critique of Marx. This would merit a paper of its own. I will here comment on only two themes.

First, there is Popper's identification and criticism of Marxism as being historicist in the sense of being concerned with developmental laws of history, and his argument (for example, in *The Poverty of Historicism)* that one should not uncritically assume that the search for such "laws" represents a scientific approach to the understanding of society.

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Popper's general methodological point seems to me well taken, but it is clearly an argument that is suggestive rather than demonstrative. In addition, both Popper and most recent Marxists seem in agreement that, while there *are* themes in Marx's work of the kind that Popper criticized in these terms, there is also to be found a different approach—a form of situational analysis, which might even be claimed to be individualistic in its methodology. Today, even the most anti-individualistic interpreters of Marx do not seem to espouse the historicism which Popper criticized.

Popper's concern for the "historicism" in Marx was legitimate, and pertinent at the time at which he was writing, not least because historicism of just this type seemed almost the common idiom of politics and social theory after World War I. But to concentrate on this theme in Marx's work seems not as pressing today.

Second, there is Popper's thesis about the difference between conditional prediction and unconditional prophecy. This is, in effect, an application of the "Popper-Hempel" model of deductive explanation, in which Popper claims that historicists misunderstand the logical form that is proper to scientific explanation, and thus confuse prophecy and prediction. I do not disagree with Popper's formal point here, but I think that he overrates its practical importance. For someone might well claim that what looks like an unconditional prophecy in fact consists of a conditional prediction, in the presence of appropriate initial conditions. In addition, there is the problem of the status of such formal reconstructions of science. That scientific explanation can be represented in such a form does not demonstrate that it *must* be so represented;[5] and there does not seem to me to be any real *argument* in Popper's work about the status of such formal analysis of scientific knowledge which pertains to this issue (or, at least, none which would help his case here.

However, to argue that scientific prediction is typically conditional in character was pertinent in a period dominated by a belief in developmental tendencies. And, as we saw in the discussion of Marx's writings on Russia above, the older (and wiser?) Marx also seemed insistent on the conditional character of his predictions.

The only slight qualification that I should add, here, is that Roy Bhaskar, in what is, in effect, his reinterpretation of Marxian themes in his writings on the philosophy of natural and social science (*A Realist Theory of Science* and *The Possibility of Naturalism*[6])reaches a position which offers a conception of scientific laws as tendencies close to that

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which Popper criticized. To criticize these writings, however, would take me well beyond my present task.

### *The Open Society and Marxian Society*

I now turn to the criticisms Popper makes of Marx in *The Open Society*, volume 2.[7] They are detailed in character, and contain much more than can be reviewed here. Such a task does, however, deserve to be undertaken, for as Suchting has recently commented, it is surprising that Popper's critique of Marx has not received much critical discussion. I will here deal briefly with only a few of Popper's themes.

*Historical materialism and the Russian Revolution, again.* The doctrine of the primacy of the economic over the political is widely taken to distinguish a Marxist approach. It is a view that seems to speak forth from Marx's programmatic statements of his views (for example, the *Manifesto*, the two *Prefaces*, etc.). And, as Popper trenchantly argues, it would seem to be flatly at odds with the apparent primacy of political activism and *ideas* about how the Soviet economy should be transformed, over economic factors, in the Russian revolution and its aftermath—to say nothing of the fact that revolution occurred in *Russia*.

Now, there are various ways in which all this might be made consistent. We have already referred in passing to Lenin's suggestions about imperialism and weak links in the capitalist chain. Engels could be invoked on the production and reproduction of life as (only) "the *ultimately* determining element in history," and on the importance of economic circumstances "in the last resort."[8] In addition, a plethora of interpretative possibilities are opened up by some of Marx's remarks on ideology in his early writings on Hegel, and on class and the state in his historical studies "The Class Struggles in France," and "The Eighteenth Brumaire of Louis Bonaparte."

Using these ideas, other asides in Marx's work, and taking leads also from other writers, Marxists in our own time have offered a variety of accounts which promise a resolution not just of problems about Russia, but of all the difficulties that might appear to stand in the way of using Marx's work as a key to the twentieth century. What is *not* clear is that, in the end, more is achieved than moving from Marx's bold but incorrect ideas to a restatement of the Wisdom of the Age in Marxist jargon. In short, it is not clear that this work overcomes the issues we raised in our discussion of epistemology.

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*Class consciousness*. Class consciousness is an interesting and sophisticated idea in Marx. It consists of something over and above objective (economic) class circumstances. And it is needed if the proletariat is to be able to play its historic role. But, as Popper points out, the achievement of full proletarian class consciousness would seem, for Marx, to involve the acceptance by the proletariat of his diagnosis of their identity and role.

How they are to achieve this consciousness is, in Marx, wholly unclear. Marx also seems to have ducked the problems to which this issue gives rise. He personally exhibited a clear preference for catholic forms of proletarian political organization and for democratic structures within them. But what was to happen in such organizations if the proletariat did not seem ready to accept his views? Marx also left the intellectual apparatus (for example, in his ideas on representation) for a dominant role to be played by those who claim to be acting in the interests of the proletariat—those who accepted his own theories.

*The impotence of politics*. By this, Popper means not the impotence of political action to overthrow the capitalist system (in appropriate circumstances), but Marx's view of the inability of political action to achieve substantial changes *within* capitalism. Here, however, Marx himself was none too clear. In his view, the proletariat should be concerned to overthrow capitalism, rather than to try to improve its lot within it. But was it possible for them to make improvements within it? Marx's own view of the Factory Acts would seem to be that some gains could and should be made. But what is missing from his own work, and especially from that of his followers, is a clear theory about the limits of political gains (a problem that is, if anything, compounded by his historical studies such as "The Eighteenth Brumaire").

Should such a theory be provided, however, it is important to see that such an analysis is not necessarily unique to Marxism. For the proponents of classical liberalism, for example, would also argue that there are severe limits to what can be gained by working people by political activity within a capitalist system. The difference is that they do not think that there is an alternative social formation available in which working people would do better.

*Socialism*. Popper discusses the changes that have taken place in the character of capitalism and poses the question of what alternatives there may be in forms of social organization. He also discusses the issue of the supposed inevitability of socialism, and on what, for the Marxist, this is meant to depend.

This serves to highlight the problem as to whether, from a Marxist

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viewpoint, *moral* ideas have to play a role in the coming about of socialism, and if so, the issue of their character. Marx himself is clearly ambiguous here. As Popper argues, Marx's work is full of moral criticisms of capitalism; but he is also critical of, and views as defective, appeals to moral doctrines, justice, etc., in making a case for socialism.[10] Popper suggests one way round this: moral futurism, the appeal of helping to bring about the inevitable. But while this is one way in which the issue might be resolved, this doctrine does not today have much appeal to Marxists.

An alternative is to see Marx's view as being one that involves choice, but where the choice is between social structures rather than the smaller-scale activities that are the usual objects of judgments about morality and justice; and, further, that in Marx's view, this choice, for socialism, is one that can be made only when certain economic preconditions have been satisfied.

But if such an interpretation is offered of Marx's work (this is perhaps close to the view of such Marxists as Norman Geras), then two issues are clearly missing from Marx's own work, and from the work of his followers: an explication of the moral basis upon which such a choice is to be made; and an explication of a model of what socialism would be like, such that a moral agent would and should choose it.

I would imagine that, if Marx himself had been pressed on this problem, and had agreed that a moral choice was involved, he would probably have appealed to a mixture of ideas about well-being, justice, human dignity and self-realization (as these seem to be implicit in some of his negative judgments about capitalism). Indeed, his ideals might prove not all that far from Popper's own mixture of negative utilitarianism and ideas about justice! But *something* here would seem to be needed, not least in the face of problems about *why* the struggle for socialism should motivate the individual worker, when faced with the concrete rewards for himself in betraying his class comrades.

But suppose we take some commonsensical moral view for granted. Why should that individual, or, indeed, a mass of individuals, choose *socialism?* Here Popper raises a particularly important issue, and one which has been elaborated more fully by others since he wrote. He asks, How will a classless society behave? He argues that there is no earthly reason why (even assuming everything else in Marx's theory is coherent) the individuals who form the proletariat should retain their unity once the class struggle has ceased.[11] Given the non-occurrence of economic abundance, considerations of the kind elaborated in Hayek's *Road to Serfdom* and in the first part of Alec Nove's *Economics of Feasible*

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*Socialism*[12] come into play: there is competition over resources between individuals and projects, and every reason to suppose that they will use devices similar to those which Max Weber has described under the heading of exclusion and social closure, to get privileges for themselves and their preferred projects (although, as distinct from Weber's view, making use of any State or quasi-state apparatus that is to hand—including, say whatever mechanisms are needed to effect economic coordination).

Marx's own ideas about a minimal state[13] are utterly at odds with the functional requirements of economic planning without markets, supposing this can be achieved at all. If there is to be a high degree of economic activity, and some attempt at coordination in the use of resources, there seems to be no alternative to the creation of a formidable bureaucracy. This would involve an equally formidable concentration of power. Political control of it would prove difficult, and it would give ample scope for the attainment and exercise of privilege.

Faced with such issues—on which Marx says nothing[14]—it is difficult to see how any rational person concerned for the well-being of mankind (i.e., equipped with the moral views of the sort which we must attribute to Marx) would do anything but prefer a market-based economic system, with such reforms as are possible to make it function best to promote human well-being.

NOTES

1. See Karl Popper, *Unended Quest: An Intellectual Autobiography* (La Salle, Ill.: Open Court, 1982), pp. 31–44.
2. Notably, that to our best and best-tested theories there are alternatives, which would lead to different predictions; and, had those other theories been advanced first—by chance, or because we happened to be psychologically disposed so to do—they would have been better corroborated than would our current best theories. The fact of temporal priority is itself hardly pertinent to the issue of whether or not one, rather than the other, of these theories is true of *our* world. See, on this, my "Realism Under Attack" in *Philosophy of the Social Sciences*, June, 1986.
3. See, for example, Marx's letter to the Russian populist theoretician, Mikhailovsky, in the course of which he seems to suggest that Russia's path to capitalism is conditional, and comments, of a critic: "He feels he must absolutely metamorphose my historical sketch of the genesis of capitalism in Western Europe into a historico-philosophic theory of the general path every people is fated to tread, whatever the historical circumstances in which it finds itself. . . . But I beg his pardon." D. McLellan,

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ed., *Karl Marx: Selected Writings* (New York: Oxford, 1977), p. 572. Compare also his "Letter to Vera Sassonlitch" and the drafts, in the course of which latter he says: "If capitalist production is to establish its reign in Russia, the large majority of the peasants . . . must become wage earners and thus have been expropriated by the previous abolition of its communist property. But in every instance, the Western precedent would prove nothing at all about the 'historical inevitability' of this process." See McLellan, pp. 576–80; the quotation is from p. 577.

4. One interpretation, though not by a Marxist, that does make some sense of these ideas is that offered by Michael Evans, in his *Karl Marx* (Bloomington, Ind.: Indiana University Press, 1975). In this he suggests that "historical inevitability," "pitiless laws," etc.—to quote phrases from the very letters cited in the previous footnote—are relative to a particular mode of production, but that the succession of such modes is not, itself, determined. If this were Marx's view, the *choice* of a mode of production, and its rationale, would become a major problem for the Marxist.
5. For a survey of some alternatives, see E. Sosa (ed.) *Causation and Conditionals*.
6. Roy Bhaskar, *A Realist Theory of Science*, 2nd ed. (Atlantic Highlands, N.J.: Humanities Press, 1978); *Possibility of Naturalism: Social Science and Social Ideologies* (Atlantic Highlands, N.J.: Humanities Press, 1978).
7. Karl Popper, *The Open Society and Its Enemies*, 2 vols., 5th rev. ed. (Princeton: Princeton University Press, 1966).
8. See Engels' letter to J. Bloch of September 1890, in Marx and Engels, *Selected Works*, p. 682.
9. The ideas in "The Eighteenth Brumaire of Louis Bonaparte," Part III, on those he calls the representatives of the petit bourgeoisie, are especially pertinent: "What makes them representatives of the petit bourgeoisie is the fact that their minds do not get beyond the limits which the latter do not get beyond in life, that they are consequently driven, theoretically, to the same problems and solutions to which material interest and social position drive the latter practically. This is in general the relationship between the political and literary representatives of a class and the class they represent." See Marx and Engels, *Selected Works* (London: Laurence & Wishart, 1982), p. 120.
10. Against this it might be argued that his notion of exploitation is moral in its content; but this theory itself is ambiguous. It might be taken as a formal analysis of the cycle of production. But as such, *any* factor could be taken as basic, so that, "exploitation" cannot have a moral content. Or it could be taken—more after the fashion of Marx's early writings—as an attack on the stultifying character of production under capitalism. But *this* analysis is not unique to Marx (compare, in this context, Adam Smith). What here becomes important is whether or not there is some viable and preferable alternative. Marx's eventual solution does not satisfy

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his own earlier and more romantic requirements of the Paris Manuscripts, and in effect admits (by his remaks on "the realm of necessity") that *some* alienated labour will always be necessary.

11. *The Open Society*, vol. 2, p. 138.
12. Alec Nove, *The Economics of Feasible Socialism* (Winchester, Mass.: Allen & Unwin, 1983).
13. For example, in *The Civil War in France* (and preparatory materials) (New York: International Publishers, 1974), and in the *Critique of the Gotha Programme* (New York: International Publishers, 1938).
14. Marx simply dismissed related issues when they were raised by Bakunin. See Marx's "On Bakunin's *Statism and Anarchy*," in McLellan, ed., *Karl Marx: Selected Writings*. Compare here also Popper's comments about Lenin and the problems of running a post-revolutionary economic system, in *Open Society*, chapter 13.

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*Dallas L. Clovatre*

# MAKING SENSE OF HAYEK

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**HAYEK ON LIBERTY, 2ND ED.**

by John Gray.

*New York: Basil Blackwell, 1986. $29.95.*

The appeareance of a second edition of John Gray's *Hayek on Liberty* is one indication of the renewed vitality of libertarian theorizing in the past decade. The upsurge in interest in Hayek comes after a long period of declining interest in his economic doctrine and of total indifference to his never widely-known views on philosophy, sociology and law. As is the case with his friend and contemporary Karl Popper, Hayek has pursued what appears to many to be outsized ambitions to illuminate a broad range of human experiences and activities. Also as is the case with Popper, Hayek has received both great acclaim and sharp dismissal, the latter particularly for his views and scholarship in fields outside of economics, which are often characterized as hasty, polemical, and even cranky. A great virtue of Gray's synthesis of Hayek's writings (one to which Gray himself calls attention in the preface) is its attempt to treat them as a coherent whole. Gray tries to bring the various parts of Hayek's thought into an intelligible relationship and to make clear Hayek's importance in the modern debate about the proper nature of liberal freedoms and the conditions necessary for their continuance.

Does Gray achieve his self-proclaimed aim of cogently explicating the Hayekian corpus? Certainly he has incorporated much material not as yet available in English, and much not yet published in any form. Moreover, Hayek himself has said that Gray's book is the best general

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interpretation of his thought to have yet appeared. Nevertheless, some reviewers of the first edition objected that the mode of presentation obscured the subject matter, and one need not look far to find the reasons for their complaint. Tracing Hayek's ideas to their various sources serves ill to knit together already disparate writings. Gray did so in hopes of rehabilitating Hayek's work by showing its relevance to the thought of such acknowledged authorities as Popper, Wittgenstein, Hume, Polanyi, Mach, and above all Kant. This is not in itself wrong as a strategy, but the result is a much less successful systematic presentation of Hayek's positions than Gray intends. Furthermore, it sometimes has the result that Gray's own interpretations of other authors, especially Hume and Wittgenstein, are inconsistent and open to dispute.

The reason for reading *Hayek on Liberty* is to get an overview of Hayek without sampling directly the large chunk of his *oeuvre* which would be otherwise necessary. Gray organizes this overview according to the major divisions within Hayek's own writings. Hence after the opening chapter on Hayek's system of ideas, its sources, and its implications for social science, the book moves on to explore his notion of "spontaneous order," then his ideas on law, economics and public policy. This yields dividends in terms of ease of exposition and perhaps greater faithfulness to the texts explicated, but it makes comparison with other thinkers *ad hoc,* and for many positions it means that they can only be approached through a Hayekian gloss, "constructivism." Such terminology is peculiar to the Austrian School of economics; more nearly neutral categories will be used here to consider several issues: First, does Hayek enunciate a coherent epistemology, and if so, what are its premises? Second, is there an ontology sequestered behind Hayek's putatively skeptical and nonmetaphysical critiques? Third, does Hayek harbor a view of human nature? If he does, what is it and can it be squared with his epistemology? If he does not, can he then define or defend notions of freedom, utility and so forth? Fourth, what are we to make of Hayek's appeal to the rationality and utility of traditions? What are the implications of a utilitarian defense of tradition? Fifth, do Hayek's ideas help us make sense of the actual historical record? And last, are Hayek's concerns and arguments such as to carry any weight with, or be live issues for, the audiences he addresses?

It is useful to begin consideration of Hayek's philosophy with a discussion of epistemology because, like Popper, Hayek implicitly and sometimes even explicitly organizes so much of his work around criticisms of what he considers to be conceptual fallacies. Whereas Popper

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attacks "inductivism," Hayek attacks "constructivism," which he defines, according to Gray, as the "error that the order we discover—in nature, in our minds and society—has been put there by some designing mind." If anything, Gray tends to downplay the role of this critical stance in determining so many of Hayek's other concerns, choices of topics, and positive recommendations. The villain implicit in Hayek's definition of "constructivism" is Descartes, for whom the existence of God guarantees to the knowing subject the possibility of knowledge regarding the material world. Significantly, Hayek calls this position "constructivist" in reference also to the types of activities that can be contemplated if there is presumed to be accessible a fixed, universal, unitary and largely self-validating type of knowledge. And indeed, the goal of reconstructing the entire realm of human thought upon a foundation of clear and distinct ideas was one of Descarte's explicit aims.

Gray treats Hayek's response to "constructivism" as a form of skeptical Kantianism, indeed as an improvement upon Kant. Hayek's argument against constructivism stresses that the great bulk of our knowledge is "practical" and embodied in our habitual activities. We cannot get "outside" of this knowledge in any meaningful sense to reconstruct our existence in its totality, for any stand we take concerning such criticism and reconstruction itself lies within our particular tradition. Likewise, any agency or directing intelligence which would pursue a course of total reconstruction would itself be subject to "meta-conscious" rules or mechanisms of which it could have no knowledge. Consequently, Hayek thinks (as Gray puts it) that "it is naive and almost incoherent to suppose that a society could lift itself up by its bootstraps and reconstruct itself."

These are telling points, although one might wonder at Hayek's adamant insistence that the metarules are preconscious and thus unknowable. This is arguably a positive ontological claim, one which does not, contrary to what Hayek and Gray believe, arise necessarily from the works of Cantor and Gödel. To take perhaps the most famous dissenter from Hayek's position, Aristotle clearly believed that principles cannot be *demonstrated,* yet argued at length in the *Posterior Analytics* that basic premises nevertheless can be *defined.* Despite Gray's statement to the contrary, Wittgenstein seemingly arrived at an analogous position: for him rule-following does not involve intentional knowledge, yet nevertheless can be analyzed to the point at which the questions come to an end. Being conscious of the rules or premises implicit in a culture does not yield the transcendent possibilities for criticism that so worry Hayek, but only immanent possibilities. The infeasibility

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of totally reconstructing society can easily and convincingly be shown by simply pointing out that it involves either an infinite regression in the use of criteria to judge or a frankly exhortative and ungroundable call for self-transcendence.

Is Hayek's epistemology just a superior skeptical Kantianism, as Gray so often maintains, or is it more similar to Hume's skepticism in being designed to combat economic and political dogmas, especially socialism? Hayek himself notes in his preface to *The Sensory Order,* which was conceived in part in 1919 and 1920, that "in the end it was concern with the logical character of social theory which forced me to re-examine systematically my ideas on theoretical psychology." His early training in Austrian economics during those same years, even before his meeting with Mises, had already exposed him to a subjectivist theory of value which fit ill with his youthful Fabian-style socialism. He abandoned socialism entirely under the impact of Mises's great work on the topic published in 1922. Hence Hayek's epistemological concerns have from his student days been tied closely to his economic and sociological interests. This is significant for understanding his stress upon "spontaneous order" as an alternative to "constructivism." It also helps to explain why he expresses, on the one hand, a strong fideism with regard to the role of particular traditions (claiming that knowledge is tacit and contained in human activities rather than in conscious designs), yet, on the other hand, asserts confidently general principles regarding the nature of the roles played by traditions or spontaneous orders.

Hayek's notion of spontaneous order appears in large part to be an answer to his own skeptical formulations regarding human knowledge. Gray outlines three theses as basic to the conception of spontaneous order in Hayek's writings: the thesis that "social institutions arise as a result of human actions but not from human design"; the thesis of *"the primacy of tacit or practical knowledge";* and the thesis of *"the natural selection of competitive traditions."* Taken together, these cast considerable light upon Hayek's fundamental epistemological claims and complement the views he articulates in *The Sensory Order:*

> It might indeed be said that the whole theory of the formation of sensory qualities to be developed in the following pages is no more than an extension and systematic development of the widely held view that every sensation contains elements of interpretation based on learning, an extension by which the *whole* of the sensory qualities is accounted for as such an interpretation. It will be contended that in the course of its phy-

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> logenetic and ontogenetic development the organism learns to build up a system of differentiations between stimuli in which each stimulus is given a definite place in an order, a place which represents the significance which the occurrence of that stimulus in different combinations with other stimuli has for the organism. We shall see later in what sense and to what extent this 'classification' . . . of the stimuli by the organism can be said to 'reproduce' the 'objective' relations between those stimuli in the physical world.
>
> We shall maintain that a classification of the sensory impulses which produces an order strictly analogous to the order of sensory qualities can be effected by a system of connexions through which the impulse can be transmitted from fibre to fibre; and that such a system of connexions which is structurally equivalent to the order of sensory qualities will be built up if, in the course of the development of the species or the individual, connexions are established between fibres in which impulses occur at the same time.
>
> [W]e do not first have sensations which are then preserved by memory, but it is as a result of physiological memory that the physiological impulses are converted into sensations. The connexions between the physiological elements are thus the primary phenomenon which creates the mental phenomenon.[1]

These passages reveal an aspect of Hayek's thought about which Gray says little, but which is fundamental to Hayek's epistemological positions. Hayek denigrates "abstract" or conceptual thought because he sees it as at bottom epiphenomenal. He is a subjectivist with regard to knowledge, and a "qualitativist" rather than a "quantitativist," because he sees the primary evaluation and classification of sensations as being preconscious or happening "below" consciousness. He is an "evolutionist" for much the same reaons. Evolution at the organismic level, according to him, consists in the successful creation of neurological pathways reflecting the qualitative meaning of given stimuli for the organism within the field of sensory connections—fiber to fiber—which already exist and hence are conditioning. This is the meaning of cognition, classification, or learning. Analogous events and processes at the level of the species yield both genetic and cultural "evolution."

Viewed in the light of Hayek's denigration of abstract thought, the theses upon which the idea of spontaneous order rests amount to three different ways of formulating the same claim, and are in fact implicitly brought together by Hayek as such in several essays, for instance, in advancing views on "instincts" in "Our Moral Heritage."[4] These the-

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ses provide different vantage points upon the central claim that qualitative evolutionary adaptation yields survival value. This is a thesis of materialistic monism which begins with the survival of neurophysiological interpretations within the organism as the basis both of sensations and of learning, what one might call an updated evolutionized model of the much older empiricist/associationist model of development. Individual and social patterns of learning merely reflect the same model as applied at successively higher stages of complexity. Within this model it is much more difficult than Gray indicates to distinguish between genetic and cultural factors inasmuch as the same mechanism is used at all levels. At successive levels qualitatively different entities become involved thus providing qualitatively different substrates for the evolutionary process, but the process itself remains unchanged. The structure of sensory qualities and the survival of individuals, of institutions and of cultures all represent successful learning at the level of material exigencies. Conscious activity is necessarily inside this process and hence cannot advance any "objective" claims; obviously, the validation of given knowledge claims can only be *ex post facto* and partial in the continuing evolution of institutions, practical knowledge and tradition.

### *Psychology and Philosophy in Hayek's Work*

Now Gray is certainly correct in seeing Hayek's position as being dependent upon the work of Mach and of Kant, but he is far less good about alerting the reader to the fact that Hayek's emphasis upon the evolution of the explanatory structures of the mind does not relieve Hayek of his own ontological claims. Gray is too willing to accept that Hayek successfully offers a purely critical and immanent—i.e., non-metaphysical—account of the proper grounds for knowledge, claiming—dubiously—that Hayek's skeptical Kantianism and his emphasis upon the primacy of tacit knowledge are not mutually entailed. Actually, they are the mutually contradictory outcomes of Hayek's version of materialism.

To the reader familiar with late nineteenth- and early twentieth-century intellectual history, one of the most curious features of Gray's exposition of Hayek, as well as with that of other recent interpretations (such as that of Nishiyama and Leube in *The Essence of Hayek*[2]), is the reluctance to examine the broader German and Austrian settings in which Hayek's ideas took shape. Observers at the turn of the century

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were well aware that the Austrian School of economics had introduced psychology into the field by taking the notion of value out of goods themselves, which had been the standard viewpoint through J. S. Mill's work, and redefining the phenomena of the market as being at the same time phenomena of mind. This redefinition was part of a quite widespread psychologizing movement of the time which ranged from the work of Wilhelm Wundt and his "empiricist" reading of Kant to the development of Gestalt psychology. Hayek was quite familiar with the latter, which opposed Wundt's doctrines with its own Kantian-influenced notions of "form qualities" and mental activity.

During the course of the nineteenth century, those who thought it necessary to go beyond Kantian philosophy rather than merely correct it fell into three camps. The first was Idealism, which as a movement was largely played out by the mid-century, but which can count as heirs such diverse figures as Nietzsche and the existentialists. The second was positivism in the broad sense, which would include Carnap's Vienna circle and which would later lead to Karl Popper's "falsification" tests for validity. The third was psychologism. Kant himself had been aware of the tendency of his system to break into divergent strands.[3] It seems that Hayek draws upon the second and third of these post-Kantian camps via Ernst Mach, Moritz Schlick and the work of the Gestaltists.

The manner in which he does so will be clearer if we first consider the work of an entirely different group of philosophers, who sought to correct rather than go beyond Kant. The neo-Kantians, as they later came to be called, consisted of the Heidelberg School of Windelband and Rickert, and the Marburg School of Natorp, Cohen and Cassirer; it led to the better-known figures of Husserl and Heidegger. Both schools followed Rudolf Lotze in making the nature of logical validity a concern separable from its (Kantian) transcendental genesis, that is, separable from either reference to representation (of objects) or to the contents of consciousness. It was not a purely formal logic such as mathematics, but a general or methodological and normative logic prescribing rules both for judging truth claims and for establishing the objects about which these claims might be made. Likewise, both schools rejected what they considered to be Kant's "pre-critical ontology," which remained dependent upon the thing-in-itself or the transcendental object. For Kant the object transcending thought was the determinant of the materials of sensation. In the Kantian picture sensory intuition was a necessary condition for any cognitive judgment concerning an existent object. The neo-Kantian move to issues of valid-

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ity was thus also one side of a widespread shift to distinguish between a non-empirical logical consciousness and a psychological consciousness. Hayek rejected the neo-Kantian move (with its eventual terminus in a pure logic of Being) in favor of psychology and related sciences, especially Gestalt psychology's relational theories of cognition.

Hayek's embrace of psychology in this fashion, however, meant a return to a number of pre-Kantian dilemmas such as can be found in the work of Hume and de Tracy, that is, to a largely determinist materialism combined with the stance that validity/justification is a (merely) psychological issue. One reason for the neo-Kantian approach, especially in its Marburg School form, is that ultimately one cannot escape the fact that all judgments—even skeptical ones—depend upon thought, hence any unified philosophical claims must be derived from the nature of thought itself. However one may evaluate the success of the Marburg neo-Kantians, they at least sought to avoid the dualism typical of Hayek's argument. Hayek attempts to ground this argument in material, empirical claims regarding the source and organization of knowledge—making thought epiphenomenal in the process—yet defends this grounding in terms of the thought whose ontological status he otherwise denotes. Can any argument within this framework be more than a mere exhortation? The evolutionary framework contrasts sharply in its ontological status with the tools for its validation. For the former, the Kantian thing-in-itself clearly continues to be a necessary postulate; Hayek has no doubts regarding the existence of an external world independent of our thoughts yet responsible for them, although his own arguments destroy the logical grounds for maintaining such a belief. This leads to a curious intellectual gymnastics in which the rational basis of knowledge is simultaneously both affirmed and denied. Similarly, the conscious mind is at once characterized as determined by its material base and yet made the source of judgment:

> According to our theory, the characteristic attributes of the sensory qualities, or the classes into which different events are placed in the process of perception, are not attributes which are possessed by these events and which are in some manner 'communicated' to the mind; they are regarded as consisting entirely in the 'differentiating' responses of the organism by which the qualitative classification or order of these events is created; and it is contended that this classification is based on connexions created in the nervous system by past linkages. Every sensation, even the 'purest', must therefore be regarded as an interpretation of an event in the light of the past experience of the individual or the species.
>
> The process of experience thus does not begin with sensations or per-

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ceptions, but necessarily precedes them: it operates on psysiological events and arranges them into a structure or order which becomes the basis of their 'mental' significance; and the distinction between the sensory qualities, in terms of which alone the conscious mind can learn about anything in the external world, is the result of such pre-sensory experience. We may express this also by stating that experience is not a function of mind or consciousness, but that mind and consciousness are rather products of experience.

All that we can perceive is thus determined by the order of sensory qualities which provides the 'categories' in terms of which sense experience can alone take place. Conscious experience, in particular, always refers to events defined in terms of relations to other events which do not occur in that particular experience.

We thus possess 'knowledge' about the phenomenal world which, because it is in this manner implicit in all sensory experience, must be true of all that we can experience through our senses. This does not mean, however, that this knowledge must be true of the physical world, that is, of the order of the stimuli which cause our sensations. While the conditions which make sense perception possible—the apparatus of classification which treats them as similar or different—must affect all sense perception, it does not for this reason also govern the order of events in the physical world.

The reclassification, or breaking up of the classes formed by the implicit relations which manifest themselves in our discrimination of sensory qualities, and the replacement of these classes by new classes defined by explicit relations, will occur whenever the expectations resulting from the existing classification are disappointed, or when beliefs so far held are disproved by new experiences.[5]

Hayek seems to hold the view that there is an ontological order implicit in the material world, but he rejects a priori any claims that this order can be known directly. His own model affirms the Kantian thing-in-itself as fundamental and structuring while denying to consciousness the Kantian constructive powers to frame fundamental categories and shape experience. Still, Hayek reintroduces consciousness as somehow deliberative and even materially effective in creating new classes of explicit relations, along with possessing the powers to define the limits of knowledge through reflection upon the origins of sensation, memory and consciousness itself. This is a curious mixture. Hayek is aware that there is a problem (he acknowledges it in *The Sensory Order),* one fundamental to our notions of both explanation and human activity. But Gray largely passes these issues by, never address-

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ing the fact that Hayek self-contradictorily continues to use a dualistic language implying a core of human volition and meaning while embracing an explanatory monism of materialistic antecedent causation everywhere except in the explanation of explanation. Our interpretations of our capacity to explain the world are given a value not accorded to the explanations themselves. In contrast, a truly radical revision of Kant such as that made by Wittgenstein recognizes that our personal knowledge of sensations (which Hayek takes for granted despite his giving an "objectivist," after-the-fact analysis of its nature) itself is already problematic. If it is only personal and subjective, how can it be spoken of at all? Indeed, since we cannot insure either our consistency or the validity of our own memories, how can this "personal" knowledge be said to exist at all? For Wittgenstein sensations are not objects within consciousness or objects to consciousness; nor are they the whole substance of consciousness. Instead, they are occasions *for* consciousness or simple awareness, and they are of a piece with the shared language with which they are described. Logically, this problem precedes any attempt to derive sensations, or our knowledge of them, from conjectures concerning a prior material base and patterning derived from it. Wittgenstein abandons the Kantian ontology at its core by abandoning both the thing-in-itself *and* the first person observer to whom sensations could be simple objects not already mediated by some "form of life." Notably, Hayek retains both the "empirical" world and the subjectivism of the reflective ego while denying that the latter can ever truly describe the former. Such a position merits Wittgenstein's famous observation that "a nothing is as good as a something about which nothing can be said."

The oddity is that Hayek's skepticism is not really skeptical. He believes that he knows precisely the conditions necessary for knowledge and that these cannot be met, proof positive that he indeed has an ontology, one which I have described as a type of materialist monism which is skeptical because it depends for its validity upon arguments which in principle it cannot acknowledge within its own framework. The question which should be posed is whether Hayek has not in fact returned to the skeptical impasse Kant sought to overcome: the failure to link logically knowledge and its object. Hayek's attack upon the powers of explanation, like his defense of traditions, is strikingly similar to Hume's strategy of skepticism as a defense of tradition, and it is not at all clear why the success of Hayek's attack upon the pretensions to knowledge should not be turned back upon his own positive analysis in an act of self-annihilation.

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### *The Individual and Tradition in Hayek's Work*

Where does this leave Hayek on the question of human nature? The concluding pages of *The Sensory Order* defend subjectivity, knowledge of other minds by introspection and the irreducibility of human actions to material causes as basic corollaries of the nature and limitations of human knowledge. In other words, Hayek's anthropology is another side of the same issues found in his epistemology and his ontology: our natures are products of a material order, but because our reflective knowledge is merely epiphenomenal, the materialistic analysis cannot be extended into a full-fledged reductionism. Gray, following closely Hayek's essay "Individualism: True and False," summarizes Hayek's position as dependent upon his views of reason as limited and upon his views of man as the "creature (and not the creator) of social life." Gray sees this as combining conservative and Scottish Enlightenment conceptions, but such a conflation of different positions is hardly necessary in the face of Hayek's general consistency in *The Sensory Order.*

Hayek's preference in discussing "human nature," and Gray's in following him, is to pass without resolution from the issue of the individual to that of the tradition which composes the sphere of activity, the intellectual capacities and the morality available to, and defining of, individuality. This means that Hayek offers no defense of individualism as such and also that his philosophy is relativistic with regard to any particular tradition. Perhaps it is just as well, since Hayek's psychophysical theories give no grounds for any particular norms regarding individuality, and even imply the negation of such a notion. Hayek's position implies that something is good in a tradition simply because it is done. This creates the paradox that a system such as that of contemporary Communism in its formative stages comes under the strictures of Hayek's universal denunciation of social transformation and later under his equally universal strictures against state planning, yet, if it endures as a tradition in its own right, must be accounted self-contained and justified in most of its other activities. Truly consistent adherence to tradition as such might even force a blind eye toward the issue of state planning—after all, it has "evolved" and endured now for a very long time.

It is just this unwelcome conclusion which has forced Hayek to call for the revision of our putatively received traditions of customary morality. Gray refers to this as "the radical argument" and points to it as a sign of the vitality of Hayek's critical rationalist framework. Interestingly, the grounds for such a revision are essentially the same which

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underlie Hayek's notion of success at the level of sensory impulse preservation, i.e., survival, and in this context become the normative and utilitarian claim that "judgements may be made condemning large segments of inherited and contemporary moral life as incompatible with the market order to which mankind owes its present numbers." By implication, this position acknowledges what is otherwise unexamined, i.e., that traditional arrangements are seldom unitary wholes—"traditions" are generally after-the-fact and even ad hoc creations by later generations with specific purposes in mind—but are in constant flux and consist of often incompatible elements. But then why choose the particular norm of continued numbers as a chief good? Again, the apparent criterion is evolutionary: large numbers are equated with a type of success at survival. With this criterion one might easily forget that evolution in general tells one little or nothing as to the reason for survival, only that something has survived. Are we to accept evolution as a *telos,* and hence conclude that whatever is is good? If the reasons for success are external to the constitution of the organism, the species or the society (e.g., climate, isolation, geopolitical pressures on competing cultures), then evolution or survival can be positively misleading as to the nature of the entity and certainly cannot be inscribed as a governing norm. Hayek surely recognizes this fact which he otherwise argues against, hence his calls for revisions of traditional morality. Such revisions within his system would seem to depend upon extra-traditional criteria for judgment and thus reintroduce the very disputes over norms and social transformation which the vast body of his work is meant to resolve, and hence to silence.

In general, Hayek's defense of traditional norms appears to embrace a relativism on the one hand and a universalist stance on the other. That is, his commentary upon the role of traditional norms is couched as universally valid and value free, as is his defense of the related spontaneous-order doctrines. This ignores that traditions are in fact *particular* by definition. One cannot embrace the value of every tradition ranging from vegetarianism to cannibalism without subverting all traditions. To embrace a particular tradition—or to realize that one is already embraced by a tradition, like it or not—is to be tied immediately to norms and beliefs. A putative, but ultimately false universalism weakens existing beliefs without offering anything in return, leaving the supposedly enlightened society ultimately at the mercy of traditions still vital and self-confident. The progressive dissolution of Western cultural traditions in this century is a perfect example of this syndrome.

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If the traditional basis of a civilization dissolves, where does this leave Hayek and his notion of spontaneous order? As Robert Axelrod has recently shown in *The Evolution of Cooperation,*[6] a very strong teleology, i.e., *normative* tradition, at the level of the individual is needed for the spontaneous formation of a cooperative social order. A Hayekian spontaneous order arises only if the future expectations of the individuals in the society are dominant over their immediate expectations in determining their present actions. Otherwise, the famous Prisoner's Dilemma ensues: "in the absence of an external deterrent, it is rational not to respect the person and property of others. If others themselves show such respect, a man does better by exploiting them; if they do not, he would be a fool to do so himself."[7] Hayek's spontaneous order emerges as stable without active coercion only under special circumstances. A "stable anarchy is possible only in a community where beliefs and values are held in common, where relations between members are direct and many-sided, and where reciprocity is practiced. In such a community, the threat of withdrawal of reciprocity is of great importance as a method of social control.[7] This conclusion would not surprise traditional theorists such as Aristotle or Aquinas.

## *The Market and Social Justice in Hayek*

This brings us to what Gray has called the "neoconservative objection" to Hayek and to the issue of social justice. In brief, the charge is that the "Hayekian liberal order is dependent upon a moral capital which its workings, and even Hayek's own theories, tend to deplete." As Gray portrays this objection, it is directed largely to the allegedly utilitarian and amoral character of a market economy, which are said to destroy traditional notions of the virtues and the concept of just deserts. Marx phrased the complaint as, "Everything is reduced to the cash nexus." This attack upon the market as such as destructive of the proper ordering of society is a red herring, both as a criticism and in its curious inversion by libertarians as a defense of market efficiency as somehow to be bought at the expense of other values. Hayek is a champion of this inversion, both as a defender of the inherent good of utility and production, and as a critic of the concept of "social justice" and of putatively innate instincts for "solidarity" and "altruism."

There are problems with the assumptions underlying this debate. For one thing, it is not at all clear that market economies should be treated as a recent phenomenon deserving the attention it has received

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since the eighteenth century. What *is* new, and has been a dominant factor in European societies since the end of the Reformation, is a general failure of polities to reach any agreement regarding common ends, unitary standards of justice and compelling grounds for social and political legitimacy. The European wars of religion led increasingly to religious and moral diversity, pluralism as a normative principle, constitutionalism and bureaucracy as governmental means, and various doctrines of reason of state as corollaries of modern notions of representation and consent. In this scenario, the modern market economy emerges as merely the lowest common denominator, i.e., simple material survival, relating members within polities which otherwise are characterizable solely as aggregations of individuals existing under common laws in generally contiguous territories, and—usually and most successfully—speaking a common language. Modern capitalism, in other words, is not so much distinguished by market economies as by the weakness of any generally accepted normative traditions which might provide future expectations which would take precedence over immediate ones. I do not intend to defend this interpretation here—a similar argument can be found in Jean Baechler's book *The Origins of Capitalism*.[8] I merely wish to use it to point out that there are historical grounds for shifting the entire debate away from the positions adopted since the eighteenth century regarding the emergence of market societies. There are more positions to choose from among than just those of Hayek, his neoconservative critics, and Marx.

Hayek's criticisms of "social justice" and his postulation of various "instincts" as underlying traditional solidaristic and altruistic moralities and as now proving non-adaptive makes dubious assumptions regarding the actual impact of notions such as "solidarity" upon economic orders. Solidarity plays an enormously greater role in East Asian societies than in any Western polity, yet there is every indication tht these societies can be remarkably efficient producers. Solidarity, after all, is merely a name for a type of cooperation. If the desire for solidarity is in fact an "instinct," again something much open to question, Hayek's suggestions regarding the transformation of traditional morality bring his own position perilously close to advocating the utopian revamping of human nature and to practicing, in a word, constructivism.

Similarly, why should simple material production be taken as the only or even the chief market good? The bias towards such a position is obvious in Hayek's epistemology, but is this picture a realistic one of actual human desires? Hayek's general remarks upon instincts are of

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little help. He offers no useful guide for distinguishing instincts as entities from the large and varied category of appetites. Consequently, it is unclear how in Hayek's system one ever accounts for desires other than for comfort and survival. Obviously there are many desirable and desired goods which are purely social and available in limited or even diminishing quantities, for example, the goods of prestige and power. The supply of such goods not only is not readily expanded, but in many cases the extension of such goods to increasing numbers devalues them to those who already hold them. A case in point is higher education; long years of enforced adolescence and deferred income no longer insure the probability of financial and social success as they once did. Once a clear good, the extension of college education has, increasingly, as often as not led to dissatisfaction through unrealistic expectations regarding jobs, the future and personal fulfillment, as well as to the phenomenon of janitors with doctorates.[9] It is certainly arguable that much of the discontent to be found in the otherwise affluent West is traceable to just such factors and not to various ill-conceived doctrines regarding social justice. There is a real danger to the unwary that the glosses and conjectures Hayek has created to achieve critical objectives will flatten out the elements of the historical record and of our daily lives and end in making it more difficult to understand ourselves and our society.

Hayek has spent most of his life arguing against social engineering of various types, especially against planned economies. The irony is that few of his targets can ever have felt directly engaged by his arguments. For example, readers of Marxist writings will know that the presumed end of that system of thought is not a planned economy, but—wonder of wonders!—a species of spontaneous order. Both Marx and Lenin conjecture the withering away of the state. Moreover, both argue that their works avoid all transcendent pretenses and provide immanent "scientific" critiques of bourgeois-capitalist society. The entire framework of Marxist, and of much socialist thought also, is in fact critical. There is no positive blueprint for the construction of the new society, but a checklist of undeniable evils in the present, to wit, hierarchy, domination, oppression, alienation, and so forth. Furthermore, all positive prescriptions which fail to overcome in practice these negative criteria are deemed to be merely provisional. What can Hayek's strictures against state planning and the like possibly mean to individuals operating within such a self-contained system? To reach such individuals Hayek must first show that their preferred system contains serious internal contradictions. Unfortunately, the polemical

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and skeptical side of Hayek's thought seems to preclude the empathy and openness necessary to come to terms with a system such as Marxism. Labeling the major concerns of such a system a "mirage," as in "The Mirage of Social Justice" or as aspects of outdated instincts for altruism and solidarity, aside from opening a Pandora's box of objections to Hayek's own analyses, closes off debate from the outset.

Similar problems characterize Hayek's relations with most planners of liberal welfare states. Few such states were set up to be the products of conscious planning. Rather, they grew piecemeal out of concerns for what were and still are considered to be individual rights and entitlements, out of claims regarding simple human decency, and out of considerations of the meaning of duty and charity within Western culture. These are related, although separable, claims, none of which inherently addresses the means necessary for its realization. By and large, those committed to state planning *in principle* emerge in response to these other concerns. Unavoidably because of his emphasis upon utility and production, it is this latter group to which Hayek largely addresses himself, but it is an unwise choice as a primary audience. Not only does bureaucratic group-interest militate against its own self-dissolution, but also there remains a demand for planning so long as the ruling concerns of modern liberalism are not satisfied. Hence, one must suspect that Hayek can have had, and presently has, little or no influence upon either set of critics of the practice of unrestrained market economies.

NOTES

1. Friedrick A. Hayek, *The Sensory Order: An Investigation into the Foundations of Theoretical Psychology* (Chicago: University of Chicago Press, 1976), pp. 42, 52, 53.
2. C. Nishiyama and Kurt Leube, *The Essence of Hayek* (Stanford: Hoover Institution Press, 1984).
3. Michel Meyers, "Why did Kant write two versions of the Transcendental Deduction of the Categories?" *Synthese* 47 (1981), pp. 357–383; "The Transcendental Deduction of the Categories: Its impact on German Idealism and Neo-Positivism," *Dialectica* 35, 1–2 (1981), pp. 7–20; "Science as a questioning-process: A prospect for a new type of rationality," *Revue internationale de philosophie* 131–132 (1980), pp. 49–89. For the continuing role of logical empiricism in what are now termed the "cognitive" sciences, see Howard Gardner, *The Mind's New Science* (New York: Basic Books, 1985), pp. 60–65.

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4. In *Knowledge, Evolution, and Society* (London: Adam Smith Institute, 1983).
5. *The Sensory Order,* pp. 166–9.
6. Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984).
7. J. E. J. Altham, "Nice Strategies," *Times Literary Supplement* (December 28, 1984), p. 1509.
8. Jean Baechler, *The Origins of Capitalism* (Oxford: Basil Blackwell, 1975).
9. Fred Hirsch, *The Social Limits to Growth* (Cambridge, Mass.: Harvard University Press, 1976).

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*Kurt Schuler*

# FATHER TIME'S REVENGE ON ECONOMICS

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THE ECONOMICS OF TIME AND IGNORANCE
by Gerald P. O'Driscoll, Jr. and Mario J. Rizzo, with a contribution by Roger W. Garrison.
*New York: Basil Blackwell, 1985. $34.95.*

The early 1960s were a golden age for American economists. They both achieved their own professional consensus and found it in agreement with the general public's consensus—a rare event indeed. Presidents listened to them: The Kennedy tax cut was carried out at the urging of Keynesian economists, and its spectacular success was interpreted as a confirmation of Keynesian beliefs in the efficacy of government fiscal and monetary stimulus for spurring economic growth. The prestige of economics as a predictive science was never higher.

The golden age did not last long. The increasing unpopularity of the Vietnam War and the high inflation that financed it began to strain the joint political and economic consensus before the decade was out. Then came the breakdown of the Bretton Woods monetary system, wage and price controls, Watergate, OPEC, and recession. In the disarray that followed, new political forces arose to question the economic role of government and mutant schools of economic theorizing arose to challenge Keynesianism.

There has been sharp debate ever since about whether government intervention helps or hurts the economy. Among academic economists it has taken the form of an elaborately technical discussion of the place of time and ignorance in mathematical models. Mathematical modelling has had an honored place in economics for approximately a century. In most important respects present-day models resemble the



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first mathematical model of a whole economy, which was the work of the Frenchman Leon Walras. Fascinated by the mutual economic dependence of men and the interlocking relations among them, Walras undertook an investigation into the conditions required for complete coordination of the diverse economic plans people have—"general equilibrium." He reasoned that since all plans would have to agree with one another, he could represent them as a system of mutually dependent, simultaneously solved equations. His inspiration came from Newtonian physics, which uses just such systems to describe the motion of the planets as it is affected by their mutual gravitational attraction. To economists of the twentieth century, general equilibrium modelling seemed to hold all the promise of logical rigor and scientific exactitude that Newton's work had for physicists of the eighteenth century.

The most important parts of any model are the assumptions that go into it. Keynesian models of the 1960s made extensive use of the assumption of the Phillips curve, which, based on some historical evidence, purported to show that there was a tradeoff between inflation and unemployment. Cut unemployment? Easy, the Keynesians said; all the government had to do was inflate a little bit. The high-inflation, high-unemployment 1970s relegated the Phillips curve to the scrapheap. Upon careful examination, it became evident that the curve was the result of a hidden factor: inflation can for a time trick people into activity they would not engage in if they knew better. As financial markets caught on to the trick, though, it lost much of its effectiveness. New assumptions had to be made that recognized that people eventually adjusted to the presence of continuous inflation.

Within the Keynesian tradition two new approaches developed to take this into account and to explain the puzzle of inflationary recessions. One approach concentrated on extending the general equilibrium model to find an answer. It claimed that markets are well-ordered, and that rational people use all the information available to them. This "rational expectations hypothesis" explained recessions as the results of imperfect knowledge and uncertainty. According to it, markets could work better if such imperfections did not exist, but given that they do, markets work as well as possible. Contrary to the conventional understanding, rational expectations theorists held that even inflationary recessions are often equilibrium events.

Another approach took yet a more daring tack. It turned attention away from equilibrium and concentrated on developing ideas about disequilibrium, breaking with the conventional emphasis of economic

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theory. This "post-Keynesian" school also explained recessions as the results of imperfect knowledge and uncertainty, but in a different way. According to it, markets are inherently chaotic, due to the fragmentary character of individual knowledge and the immense uncertainty about the future people face when making choices. Consequently, long periods of disequilibrium such as inflationary recessions are to be expected; they are as normal as boom periods.

Orthodox Keynesians were not happy with either approach: they thought that the rational expectations school ignored the existence of disequilibrating features within markets (such as inflexible prices), yet also that the post-Keynesian school went too far in belittling the usual effectiveness of equilibrating forces. A falling out occurred, and the three schools became rivals rather than allies as they had been in the early stages of the controversy. Orthodox Keynesians today retain the belief that government intervention is necessary to correct the shortcomings of the market. Post-Keynesians share this belief, but more as an article of personal faith than as a consequence of their theories: if all human decisionmaking is so radically uncertain there is no reason why government action should on balance be any more stabilizing than private action. Rational expectations theorists, on the other hand, are skeptical of intervention. Their theory claims that systematic government intervention has no effect on markets because people anticipate its effects and adjust their actions accordingly. Unsystematic intervention, on the other hand, by definition cannot be anticipated, so it does have effects, but they are the highly undesirable ones of increasing uncertainty and reducing the coordination of economic plans.

Economists who trace their common roots to John Maynard Keynes have not been the only ones thinking about these issues. The "Austrian" school (founded by the Viennese economist Carl Menger around the same time Walras founded general equilibrium modelling) in fact did some vigorous theorizing about them as far back as the 1910s. Its ideas reached the height of their influence in the early 1930s, then faded into obscurity as Keynesianism swept the economics profession. However, when Keynesianism splintered in the 1970s the Austrian school underwent an extraordinary rebirth in the more heterodox intellectual climate. *The Economics of Time and Ignorance* is the first Austrian venture into the recent fray over modelling. Gerald O'Driscoll and Mario Rizzo tackle the purely theoretical questions of the controversy as well as show what implications an Austrian approach to the subject has for government policy. Their book makes an unusually sustained attempt to address the concerns of other schools of thought and to make the

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Austrian viewpoint intelligible in terms non-Austrians can understand. Because this is a departure from the autocratic style characteristic of such influential predecessors as Ludwig von Mises and Murray Rothbard, and because the book makes other innovations, it has had a mixed reception from other Austrians. Though *The Economics of Time and Ignorance* is worthy of discussion purely on its own merits, isolated from any treatment of the intellectual currents around it, it is even more interesting for the light it shines into some turbulent, murky depths of economic theory. This is the perspective from which I shall examine the book.

## *Lifeless Equilibrium*

The authors started writing this book as a restatement of basic Austrian doctrines for the benefit of economists from other schools, who have had great difficulty understanding the Austrians' quite different theoretical perspective for approaching economic questions. Over the course of several years, though, as the preface mentions, the book became focused on a single topic: whether the prevailing idea of equilibrium held by the "mainstream" of the economics profession is consistent with certain truths about the effects of time and ignorance on human decisionmaking. Of course, being conscientious thinkers O'Driscoll and Rizzo do not just criticize the prevailing idea; they also offer what they believe to be a more consistent alternative formulation of equilibrium.

When Austrians talk about "the mainstream" or "mainstream ideas" they lump together groups that usually have little in common except not being Austrian. The economic differences among Keynesians, monetarists, and rational expectations theorists are almost as sharp as the religious differences among Christians, Jews, and Moslems. Asking economists what the Federal Reserve should do will provoke a controversy as heated as a religious dispute about whether Jesus was really the Son of God. James Tobin, an eminent Keynesian, does not talk to Milton Friedman, the foremost monetarist, and neither one talks to Robert Lucas, a leading rational expectations theorist.[1] Yet there is one sense in which the mainstream is as united as the Austrians portray it: all the groups in it use rather involved mathematical techniques to describe economic behavior, and all are devoted to building mathematical models as the main emphasis of their work. Almost every important trend in economics over the past half-century has

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been linked with innovations in model-building. The Phillips curve in the 1950's and 1960's, and the rational expectations hypothesis in the 1970's and 1980's, have been so influential because they were presented mathematically in what had come to be considered the only really scientific mode for doing economics. Economists who confine themselves to literary presentation of their ideas, such as the Austrians, usually have gotten little attention from their mathematically-minded colleagues.

The Austrians have a deep-seated dislike for mathematical modelling. They have long contended that despite being elegant and even necessary for describing certain idealized states, mathematical models are irremediably flawed as tools for describing real-world economic events. The very features that make them so appropriate for the natural sciences make them inappropriate for most of economics. That is why so many economic models have an air of fantasy to them that is rarely evident in, say, molecular models. Typically, the objects of study in the natural sciences are forces working themselves out to a definitive result in a closed system; in other words, the situation is ultimately one of equilibrium. But rarely in economics are the forces unchanging, the result definitive, or the system closed. It is useful on occasion to consider what would happen if they were, but one must remember that they are usually not. Human action has an open-endedness, stemming from the existence of time and uncertainty, that resists attempts at capture in mathematical models.

An economic system in which prices do not change is in equilibrium just as is a physical system in which bodies remain at rest. The crucial difference between an economic system and a physical one is that there is nothing inherent in atoms to make them continually move the physical system away from equilibrium. Thus, forces that upset it can realistically be presumed to be outside the system. However, there is something inherent in human beings to make them continually move the economic system away from an old equilibrium (and towards a new one, which itself is not reached but replaced without end)—namely, learning. We learn because the future is not predetermined, and is genuinely uncertain. Once time has elapsed and the future has become the past we can use our newly-gained experience as the basis of new ideas.

Such is the Austrians' case against mathematical modelling. Their points are so elementary that one would think they would be at least widely argued, even if not accepted. In fact, though, such has not been the case, because the Austrian criticisms are such a radical challenge to

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mainstream thinking that mainstream economists do not think the Austrians are serious. The Austrian school is not alone in being ignored on this point: it has company from the post-Keynesian school, particularly that part of it headed by George L. S. Shackle. Though they have not made a philosophical case for the unsuitability of mathematics as the Austrians have, the post-Keynesians are equally outside the mainstream of the economics profession because their emphasis on how uncertainty and ignorance upset economic plans has the practical effect of demoting mathematical modelling's importance. The two groups' common status as outsiders has led to some exchange of ideas: for instance, Shackle has greatly influenced O'Driscoll and Rizzo.

In contrast to the post-Keynesian school, the rational expectations school has stayed within the mainstream, and become very influential, because mathematical models are as important to it as they are to orthodox Keynesians or monetarists. The rational expectations view that markets can be in equilibrium even during recessions is the logical, though perhaps unrealistic, conclusion of concentration on equilibrium modelling. Robert Lucas is quite representative of the school when he says, "Learning, for example, is a red herring. According to the way I look at things, this is just a question of how you like to think about probabilities. Things that we model that have probability distributions I call 'random variables' and things that don't, 'parameters.'" For Lucas, as for a physicist, anything that moves the system away from equilibrium (such as unsystematic government intervention) is outside it (a parameter). Learning does not move it away from an old equilibrium because "what one 'learns' about is the realizations of particular random variables"; in other words, one experiences particular events one already is aware are possible, as a gambler experiences one of thirty-six dice combinations when he plays craps.[2]

To be fair to Lucas and other rational expectations theorists, they are not quite as uninterested in change as is implied by the above remarks, which come from a small part of a long interview; in fact, they have done more than anyone else to develop time-series analysis and some other mathematical tools that allow for a degree of dynamism in their models. Before they came on the scene, it was uncommon for models to include random variables as a built-in source of change; now it is standard.

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*Time and Uncertainty*

But the Austrians do not think the inclusion of random variables goes far enough to express the uncertainty inherent in real-world action. While using random variables may be a suitable way to represent one type of uncertainty present in some actions, it is not suitable for representing a more radical type of uncertainty present in other actions. (O'Driscoll and Rizzo at one point call it "change," as distinguished from what one might call mere "randomness." From this point on most of the ideas I shall discuss will be ones they make in their book rather than just generally held Austrian positions.) There are situations—making up the bulk of human activity—in which it is impossible to list all the outcomes that could occur. Models of such situations cannot use probability because there is no way to assign probabilities to the unlisted outcomes.

Another objection to random variables as the only internal source of dynamism in models is that purely random events preclude real learning. One learns nothing by experiencing random events other than that they happened; there are no causal connections between them and subsequent events. A series of random events should not alter a rational agent's behavior any more than a "hot streak" should change a cold-blooded gambler's betting. Rolling sevens ten consecutive times does not change the probability of throwing snake eyes the next time. Consequently, any instant of time in the model could just as well be any other; they are all alike.

In real life, though, every instant is different than those that came before because people can use their experience to observe causal connections—that is, to do real learning. Every instant has a history of real learning behind it that makes it different for us than the instants before or after. Real learning is always going on even though it may be hard to observe. People's interior, subjective states (the interpretation they place on events) can change without provoking a change in their objective behavior (the things an economist standing around with notepad in hand may be able to observe). For instance, an investor who holds onto the shares of stock he owns—an example of apparently unchanging behavior—does so in a changing historical context. From observing the fluctuations in the market value of the stock he learns how other investors value it, even if that knowledge does not make him change his estimation that it is desirable for him to keep holding it. That information plays a part in a rational investor's decisions that the

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emerge through the unfolding of action in time to discover where profits and losses lie.

These are simple yet powerful criticisms of time as it is treated in mainstream models. Unfortunately, O'Driscoll and Rizzo mar their presentation with some excess philosophical baggage. Their very choice of terms is infelicitious: instead of calling the mainstream conception of time "model time," "equilibrium time," or something of the sort, they dub it "Newtonian time." While their term accurately reflects equilibrium modelling's origin as inspired by Newtonian physics, to the reader aware that Newton's ideas about time have been superseded in physics and in philosophy, it carries the connotation, most decidedly not intentional, that they are attacking an outdated concept nobody adheres to. More unfortunately still, in support of their own ideas about time they appeal to the authority of several philosophers, particularly Henri Bergson, whose conceptions of time are far more complex and far more problematic than the commonsensical points O'Driscoll and Rizzo are trying to establish. Most economists don't know Bergson from beans, nor is there any compelling professional reason why they should. Bringing him into the argument just clouds it.

When the discussion turns from time to uncertainty, O'Driscoll and Rizzo move to more solid ground, for the authorities they use to buttress their case are economists rather than philosophers. In particular, they use an example drawn from Keynes, a neat rhetorical device because mainstream economists must acknowledge as part of their intellectual heritage in a way that would not be true of examples drawn from Bergson or even from a famous Austrian economist such as F. A. Hayek. To illustrate how it is possible for genuine uncertainty to exist even where it is possible to list all the outcomes that could result, Keynes hypothesized a contest in which people are asked to choose what they believe other people will think the six prettiest faces are out of a field of one hundred. The object of the contest is not to pick what one believes to be the prettiest faces oneself, or to pick what other people believe to be the prettiest faces, but to pick what average opinion thinks is the average opinion of what faces are prettiest. Guessing games like this get one caught up in endless upward spirals of plotting and counterplotting. Since average opinion depends in part on what each participant in the contest thinks, guesses about what constitutes average opinion themselves change average opinion.

The beauty contest is an instance of a situation in which uncertainty precludes equilibrium modelling. A mathematical model of the contest is insoluble. (Keynes's choice of example was rather frivolous, in

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keeping with his fondness for amusing, offbeat modes of expression, but more standard forms of economic activity fit the bill too. In futures markets, for instance, success at speculation depends on guessing the market price [determined by a type of average opinion], which depends in part on each speculator's own opinion.) There is no determinate outcome to the contest; the guessing can go on endlessly and the contest drawing will never happen. Of course, real-world activity rarely bogs down in the paralysis of waiting to find the single correct solution because people tire of mental gymnastics and get on with their business; usually they simply cannot afford to waste the time, even if they have the inclination to play the game. That fact is itself a blow to the notion that equlibrium models can express the most important features of real-world economic behavior, because it illustrates how improbable it is that complete coordination of plans will result from a situation like the beauty contest. *Everyone* would have to choose the same six faces.

Is there a way to make an equilibrium model consistent with Keynesian uncertainty? O'Driscoll and Rizzo's answer is short and simple: No. The best way to explain their view is to reproduce the following passage directly from their book. (The first paragraph is their own quotation of part of an essay by the game theorist Oskar Morgernstern.)

> Sherlock Holmes, pursued by his opponent, Moriarty, leaves London for Dover. The train stops at a station along the way, and he alights there rather than travelling on to Dover. . . . [Holmes] expects that Moriarty will take a faster special train in order to catch him at Dover. Holmes' anticipation turns out to be correct. But what if Moriarty . . . had foreseen his actions accordingly? Then, obviously, he would have travelled to the intermediate station. Holmes, again, would have had to calculate that and he himself would have decided to go on to Dover. Whereupon, Moriarty would again have "reacted" differently. Because of so much thinking . . . the intellectually weaker of the two would have surrendered in the Victoria Station, since the whole flight would have become unnecessary.
>
> The equilibrium in this illustration would be a stable set of plans that might result in Holmes escaping or in his being captured. . . . In equilibrium [Holmes and Moriarty's] plans would be coordinated in the sense that each is optimal given what the other individual is in fact planning. The moral of the Holmes-Moriarty story, however, is that the perfect knowledge of each other's plans makes attaining such an equilibrium impossible. . . .
>
> Therefore, *imperfect* foresight is a necessary, although not sufficient,

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> condition for a process to result in an equilibrium. This equilibrium cannot, however, be a position of exact coordination. A process in which there must be errors cannot, except by chance, culminate in an errorless equilibrium. [Emphasis added.][4]

Thus there is a paradox inherent in equilibrium modelling. If the actors in the model have perfect foresight (the standard assumption) their plans must be coordinated at the start; there can be no equilibrating process unfolding in time to coordinate them, hence no change. But if they do not have perfect foresight, they cannot achieve equilibrium except by chance, since they will be prone to making errors.

### *Pattern Coordination*

Faced with such a paradox, one can understand why George Shackle has claimed that economists must reject time or reject rationality. O'Driscoll and Rizzo are more optimistic than Shackle because they have a different definition of rationality. When Shackle refers to it, he means "fully informed" action (those are his own words), which according to the mainstream conception of equilibrium is action guided by perfect foresight. Shackle and other post-Keynesians have gone so far in rejecting the idea that economic processes work towards coordination of people's plans because they equate coordination with the mainstream conception of equilibrium. Under the Austrian definition, in contrast, rationality means simply behavior directed at achieving some goal. (The Austrians could have expressed the idea with a less confusing term, such as "goal-directedness," but their peculiar usage of "rationality" is firmly lodged in their vocabulary by now.) Action can be ill-informed, that is, directed at goals people later repudiate or using ways of attaining the goals that appear foolish to others, but by the Austrian definition cannot be "irrational."

As the Austrians see matters, coordination does not require equilibrium any more than rationality requires perfect foresight. Since people make what they themselves often later see as mistakes, it is to be expected that the economy will not be in equilibrium. But plans can still be highly coordinated—highly enough for us to enjoy a comfortable and rising standard of living.

But if equilibrium is impossible, or at least extremely improbable, what use does it have in economic theory? Here the Austrian School is divided. The split has to do with long-standing intramural differences

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in their ideas of the relation of theory to empirical observation, of which there are echoes going nearly as far back as the school itself. Because there were previously so few Austrians, and because they were mainly interested in other problems, debate was sporadic. In the last several years, though, as the number of Austrians has become larger than ever and as some of them have taken up the problem, a lively dispute has arisen. O'Driscoll, Rizzo, and Ludwig Lachmann are the most prominent members of what is known as the "radical subjectivist" side, and Israel Kirzner is the leading figure of the opposing "praxeological" side.

The dispute is as much about intellectual influences as it is about ideas. The radical subjectivists are heavily influenced by Shackle and by certain parts of Keynes's work (such as his passage about the beauty contest), though their background influences are Austrian. The praxeologists, as their name indicates, stick closer to the ideas of Ludwig von Mises; "praxeology" was the term he used to describe his approach to doing economics. (Some of the distinguishing features of "praxeology" will be discussed shortly.)

Both the radical subjectivists and the praxeologists (and economists in general) would agree that equilibrium is a simple and useful notion for characterizing the activities of an individual person. A man contentedly snoozing away the afternoon in a hammock can be said to have temporarily attained equilibrium. Feeling no desire that impels him to change his condition, he is at rest. Equilibrium is more problematic when used to characterize the activities of a number of persons who form an economic community, and the more people and markets an economist brings into his gaze the harder it is for equilibrium to be something attainable in the real world. It begins to have about the same relation to everyday economic activity as Camelot does to Chicago politics. The difficulty is that there is a multitude of individual plans, many of which are changing and many of which are bound to be in conflict. Unless all conflicting plans become harmonious (which would require that there be no further opportunities to make profits or losses) there cannot be a general equilibrium in which everyone is at rest.

To illustrate what a radical change from the existing state of affairs general equilibrium would require, one has only to consider a favorite Austrian example, first used by Mises: what would happen to money. People buy and sell goods mainly for money rather than for other goods because the markets for other goods are far smaller and more volatile than the market for money. Money is the best refuge from the uncertainty that pervades all markets. An economy in general equi-

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librium, however, has no need for money because it has no uncertainty. All plans are harmonious, which makes all markets equally lacking in volatility. Money can be dispensed with because it is just as convenient to deal in other goods directly as to deal in them using money as an intermediary for buying and selling them.

O'Driscoll and Rizzo indicate that they hold a different view of general equilibrium's use. They criticize Mises as having overlooked that "the absence of sufficient conditions [for equilibrium] does not imply the absence of the result predicted by the equilibrium construct." Their comments are brief and rather cryptic, but their apparent meaning becomes clearer when taken in conjunction with their remark a few pages later, when they are discussing the Holmes-Moriarty story, that "a process in which there must be errors cannot, except by chance, culminate in an errorless equilibrium."[5] Evidently they believe Mises, because he thought of equilibrium as something that would have to be reached by systematic strides (that is, a continuous narrowing of profits and losses to zero) if change were to cease, neglected that it was possible (though of course most unlikely) for a real-world economy to leap into equilibrium by chance for a moment, even if people's changing plans would quickly make it leap out.

Though O'Driscoll, Rizzo, and Mises would all agree that there has never been a historical case of an economy actually in equilibrium, the difference between the radical subjectivist and the praxeological approaches to the question illustrates the difference in the two groups' views about the relation of economic theory to economic reality. Mises claimed "apodictic" status for the theorems of his "praxeology," meaning he thought they expressed universal characteristics of human action (for instance, that all action is purposeful, no matter whether the purpose is wise or foolish, adhered to temporarily or permanently). But O'Driscoll and Rizzo contend that such universal statements are not enough to analyze actual economic events because they are too general. Something else has to be brought in to complete the picture, namely a realization that human choices are indeterminate. None of us can ourselves predict with unfailing accuracy what our future actions will be, so it is presumptuous for an outside party such as an economist to think he can do so, as Mises's apodictic theorems imply is possible. Consequently, economic theory is not a collection of universally true statements about what must (or must not) happen, but a collection of probabilistic statements about what is more likely (or unlikely) to happen. For instance, the complete harmony of plans necessary for

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knowledge of previous rolls of dice does not play in a rational gambler's decisions.[3]

O'Driscoll and Rizzo conclude from the vast gulf that exists between "learning" the outcomes of random variables in equilibrium models and real learning that time in the models adds nothing. Mainstream economists will reply that this is not correct, because instants of time can be distinguished by their place in the unfolding of the processes that eventually lead to equilibrium. O'Driscoll and Rizzo have an answer ready for this objection: according to them, it is not necessary for equilibrating forces to take time. The internal logic of the models dictates that adjustment to equilibrium should be instantaneous. A model assumes that profit and loss signals direct economic activity into the proper channels until equilibrium (signalled by zero profits and losses) is achieved. The conditions of the model determine what the initial profit and loss signals and the equilibrium solution are. But if the economist building the model knows what the solution is, and hence could achieve it at once were he put in charge of the whole economy, why should the actors in the model be any less knowledgeable? If the model means to describe a real-world economy, surely it must not exclude the knowledge of economists, which would inform the actions of other people in the model if economists have the solution. Placing obstacles in the way of instantaneous equilibrium—for instance, the time it takes to convert some of the initially given set of machines over to more appropriate uses—evades the question why they were ever devoted to less appropriate uses.

The history of general equilibrium modelling shows how hard it has been for economists to devise models where time makes a difference. The very first general equilibrium model, that of Walras, dispensed with time altogether. An auctioneer at its center disposed of all goods in a huge simultaneous sale that was not actually effected until all goods had been bid for at their equilibrium prices. If real-world economic activity were like this we would all starve waiting for the auction to determine the equilibrium prices. Instead, we tolerate "false" prices because they enable us to have bread on the table in the meantime. In the century that has elapsed since Walras devised his model there have been attempts to bring time into equilibrium models, but despite certain innovations in technique they still suffer from the same problem it did: the solutions are known to the model-builder at the beginning, so time has no real place. In real-life economic activity, in contrast, the solution is not known to anybody, and can only begin to

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general equilibrium is most unlikely, but not impossible because it could just conceivably happen by chance.[6]

It is against this background that O'Driscoll and Rizzo propose their own concept of equilibrium that they believe steers a course between the Scylla of perfect foresight (as in the mainstream concept) and the Charybdis of rigid determinism (as in the Misesian praxeological concept). They call it "pattern equilibrium." According to it, "the plans of individuals are in a pattern equilibrium if they are coordinated with respect to their typical features, even if their unique aspects fail to match."[7]

As an example of pattern equilibrium they offer the action of two professors (presumably themselves) who agree to meet at a certain time to discuss their forthcoming book. If they do actually meet as planned, the typical features of their actions mesh—they have a common purpose—while the unique features do not necessarily have to (for instance, they may disagree about the best way to go about revising a chapter). This is more realistic than the mainstream equilibrium concept, which requires the typical features of action to be coordinated too. Under the mainstream concept it is hard to see why the two professors would have to meet at all, since there would not be any divergence in plans and they would already agree about everything.

However, when subjected to further examination O'Driscoll and Rizzo's concept reveals flaws of its own. The main one is that there is no way to distinguish between typical and unique features of action. What is on one level unique may from another perspective be typical. This can be illustrated using the example O'Driscoll and Rizzo themselves propose. With all respect for their ability to work together harmoniously (which did, after all, produce this stimulating book), what if they agreed to meet to discuss their book but one of them showed up and only wanted to talk about baseball? What if he showed up with a whole infield and started practicing double plays right there? Or, assuming more polite behavior, what if they did discuss their book but were unable to agree on anything, and the impasse persisted despite repeated meetings? It is hard to see how their plans are more than perfunctorily coordinated. The purpose of having the meeting is not just to see each other at an appointed time, but to accomplish the common higher goal of getting the book done. From that perspective, having the meeting is the unique event and agreeing on the content of the book is typical, and the typical features are *not* coordinated.

If O'Driscoll and Rizzo's concept of equilibrium is unsatisfactory,

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what do the praxeologists have to offer as an alternative? They have not as yet published any books on the subject, so what remarks they have made are scattered.[8] However, it is possible to piece together an outline of their ideas. Their starting-point is the action of market participants viewed from the inside, in terms of the participants' own plans. People act because they feel themselves to be in individual disequilibrium. As long as action persists, it is a sign that there is disequilibrium. Whether or not somebody judges an action to have been successful after it is completed, all action is equilibrating in the sense that it strives to achieve some purpose. However, action never succeeds in actually attaining general equilibrium, since in the praxeological view equilibrium is not a fixed state, but a tendency of plans to change systematically in response to people's changing imaginations, aspirations, and capacities. Accordingly, general equilibrium is unattainable, even by chance, because it is more than just a momentary harmony of all plans; it is the absence of any tendency for plans to change, now or in the future.

## *A Reviewer's Tail Wags an Authors' Dog*

O'Driscoll and Rizzo's exposition of pattern equilibrium, which nearly concludes the purely theoretical part of their discussion, is just four pages long, and leaves two-thirds of the book following afterwards. Its importance, though, is quite out of proportion to its length, due to the debate with their fellow Austrians it has crystallized. That debate is certain to last for some years to come. The remainder of the book, which is devoted to the implications of their criticism of equilibrium for some questions of applied economics, is not controversial for the Austrians, but it contains much that will be novel to economists from other schools. O'Driscoll and Rizzo discuss competition, monopoly, and money. Roger Garrison contributes a well-written chapter on capital, a topic on which he is one of the top Austrian specialists. The links between the theoretical discussion in the first part of the book and this applied part are not as tight as one would think they might be. While the authors rely extensively on their criticisms of the mainstream equilibrium concept when they develop their own analysis, they stick to conventional Austrian views instead of using the idea of pattern equilibrium to propose slightly different ones. Because I expressly set out to discuss only the first part of the book it is proper that the second part,

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which is equally instructive, be left to the interested reader to discover on his own.

*The Economics of Time and Ignorance* is a welcome attempt to get mainstream economists interested in Austrian School doctrines rather than just rail at them as Austrians have been wont to do in the past. One hopes for the Austrians' sake that they continue to address themselves to the mainstream, for eventually it will have an effect. The rest of the profession can learn much from the Austrians, and the Austrians can learn much from the way O'Driscoll and Rizzo address the mainstream.

NOTES

1. Arjo Klamer, *Conversations with Economists* (Totowa, N.J.: Rowman & Allanheld, 1983), p. 51. The conversations Klamer conducts are particularly revealing about how the social divisions among economists mirror their intellectual divisions.
2. *Conversations with Economists*, pp. 39–40.
3. True, there is an important group of economists who think that stock market fluctuations are best treated as random events, hence the average investor can do no better than to take *A Random Walk Down Wall Street*, as a book by one of them is entitled. But it is one thing to treat events as random because that is convenient, and another to see them as actually random. Baseball players exhibit the characteristics of a statistically normal population: a few players are very bad, most are fair, and a few are very good. In that sense, ability to play baseball is randomly distributed. Yet nobody would argue that because that is so, practice makes no difference in performance. The same is true of investment acumen.
4. *The Economics of Time and Ignorance*, pp. 84–5.
5. *The Economics of Time and Ignorance*, pp. 82, 85.
6. *The Economics of Time and Ignorance*, pp. 22–5.
7. *The Economics of Time and Ignorance*, p. 85.
8. I have relied on Israel Kirzner's review of *The Economics of Time and Ignorance* in *Market Process*, vol. 3, no. 2 (Fall 1985), and George Selgin, "Praxeology and Understanding: An Analysis of the Controversy in Austrian Economics" (unpublished ms., 1984).

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*Lee Cronk*

# THE ANTHROPOLOGY OF TYRANNY

AT THE DAWN OF TYRANNY
by Eli Sagan.
*New York: Alfred A. Knopf, 1985. 420 pp., $22.95.*

Anthropology is either a holistic or a hybrid discipline, depending on one's point of view. Anthropologists themselves usually prefer the former term. It implies that they are the practitioners of the *true* social science, the one that puts it all together, the one that gives us a view of how societies work as wholes. Biologists, economists, political scientists, and other specialists in one or another aspect of the social scientific project, prefer the latter term. It implies that they are the ones doing the real work, and that anthropology is merely a useful place for synergistic meetings of theories from diverse sources.

Although anthropologists have made some daring stabs at their goal of a holistic understanding of society and culture, they have yet to really put it all together. In fact, they have yet to come even close. This was clearly pointed out by University of Pittsburgh ethnologist George Peter Murdock in 1970, and it remains largely true today. In a lecture entitled "Anthropology's Mythology," he condemned as failures almost all anthropological efforts at theorizing about society and culture. The only bright spot he saw was a movement afoot in the 1950's and 1960's by such men as Fredrik Barth, George Homans, and F. G. Bailey to construct a methodologically individualist approach to social analysis.

Since Murdock spoke, not much has changed. Because of the weaknesses of their own attempts at theory, anthropologists must and often

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do look to other social scientists for insights, and they invite such insights from them. In recent decades biology, economics, and legal studies have been very fruitful sources of theoretical guidance, as have many other fields.

The vague generality of the project anthropologists have set for themselves—to examine the human experience in all its diversity and richness—brings with it some heavy responsibilities. Anthropologists are largely responsible for how the West views the rest of the world, especially traditionally non-literate societies, and, increasingly, how members of such societies view themselves and their pasts.

Clearly, anthropologists cannot accept any old theory offered up by other social scientists. They have to look their gift horses in the mouth. The one offered from the field of psychology by Eli Sagan in *At the Dawn of Tyranny* should probably be returned to its sender.

The history of psychological ideas in cross-cultural research has been spotty. Psychoanalysis of people in other cultures grew briefly in popularity during World War II when the American government asked anthropologists and other behavioral scientists for psychological profiles of other nationalities, like the Japanese and Russian. The subsequent research focused on things like potty training by Japanese mothers and Russian baby-clothing practices. This episode is now normally only briefly mentioned in books and courses on anthropology's history as an embarrassing, silly, and often rather racist exercise.

Sagan takes a mostly Freudian view of things, and is also quite a fan of Margaret Mahler's approach to developmental psychology, which focuses on the growth of a sense of self in the psyche.[1] He wanted in this book to say something interesting, meaningful, and generally true about the relationship between the individual psyche and society, taking as his special case one sort of society that he calls "advanced complex." What he has in mind is societies with states that are too complex to be called chiefdoms, but that do not have quite all the attributes, such as writing, needed to qualify as archaic civilizations.

A description of this book really must begin at the end, because Sagan ends with the beginning. That is to say, he chooses to put his theoretical statement, which most of the rest of the book is presumably intended to prove, or at least support, at the end. This is only the first way in which he violates normal techniques of argumentation in the sciences, but it is one of the most annoying. Surely most of his readers have better things to do than to wade through over three hundred pages of description of advanced complex societies (all of which is available elsewhere) just to arrive at a little original theory. No doubt

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most will skip to the end after a chapter or two, at most. And no doubt many of them will then lay the book aside.

His most general theoretical contention is that "the journey of the psyche through the various phases in the process of separation and individuation is recapitulated in social development." That is, "the stages in development from primitive to chieftainship to early monarchies to complex monarchies to archaic civilizations are projections and magnifications onto society as a whole of stages in the development of the psyche."

The step in this process that interests him most is the one from "primitive," by which he means stateless, non-literate and largely kinship-based societies, through chieftainships to simple and finally complex monarchies. This transition came about, he says, because "human beings struggled to liberate themselves from the confines of the kinship system. They accomplished this only by ascribing omnipotent power to a few human beings, thereby erecting a new prison of political tyranny."

His prime examples are the Baganda (on the shores of Lake Victoria in what is now Uganda), the Tahitians, and the Hawaiians. Although nothing that could be called ethnography was done among any of these peoples at the time of their first contact with Europeans, a lot of information is available from the writings of explorers, travelers, missionaries, and some local people. The people in these societies "lived over that theoretical wall we have erected to separate 'history' from 'prehistory', and it is both fascinating and instructive to get to know them." When Europeans first came in contact with these societies, each was undergoing a period of rapid change and of the creation of new forms of behavior, social organization, and artistic expression. Sagan compares the events occurring in these societies to the development of lyric poetry in seventh-century B.C. Greece and of tragedy in fifth-century B. C. Athens.

Sagan covers a number of topics in his descriptions of these societies. Political intrigue, infanticide, homosexuality, human sacrifice and cannibalism, theatre, and personal hygiene are just a few. He documents, using long quotes from original sources, the great extremes to which these three societies seem to have been prone. The frequency of executions by the various kings' henchmen is shocking, as is the light-hearted manner in which they were ordered and carried out. Sagan relates one particular instance (in which the prime minister of Buganda presented an unfaithful wife with her lover's head) in rather horrible detail, as an introduction to the book.

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Equally impressive is the great creativity displayed by these societies. The development of theatrical forms in Polynesia, particularly the traveling sexual performers called the Arioi of the Society Islands, receives special attention. The Arioi heralded their entry into new villages with calls of "Fornicating! Fornicating! Fornicating!" Sagan compares the Arioi's de-privatization of sex to the sexual openness of the 1960's and how it was expressed in the Broadway musical *Hair.*

What does Sagan make of all this? All such practices and institutions of advanced complex societies served, in one way or another, to free people from the "bonds of kinship." Even human sacrifice is seen as "a remarkable invention that freed people from the prisons of kinship and cannibalism and allowed them the energy required for great developmental advances."

Sagan's ideas are serious ones. Psychologists certainly do have something to say to anthropologists, and indeed the two fields have been exchanging ideas and information for many years. It is a pity, therefore, that Sagan did not present his ideas with more care and with more attention to the style of his argument. The book is a pile of assertions, taped together with anecdotal information on only three societies. It is difficult to take any of Sagan's arguments seriously when he himself does such a shabby job of presenting and defending them.

There are a number of ways Sagan could have improved his presentation and tested his ideas with more rigor and precision. Increasing his sample size would have been the easiest. Three societies, two of which are from the same cultural area and hence are not independent of each other, are so few as to make all but the most mundane conclusion drawn from them insupportable. Remedying this would not have been difficult. Although anthropologists are short on theory, they are long on information, much of which is coded and organized in a series of volumes called the Human Relations Area Files, or HRAF. The HRAF can be used for statistical tests, controlled comparisons of societies, and simply as a good bibliographic guide to the world's cultures.

The fact that Sagan did not do his bibliographic homework when preparing this book is clear throughout. *At the Dawn of Tyranny* is full of instances where even a little knowledge of the literature would have cleared up an area of confusion, or, more often, would have forced Sagan to discard a favorite assertion.

Examples of such boners ranges from the minor to the major. A case that is fairly unimportant in itself, but revealing of Sagan's ignorance, is when he claims that the Baganda (and, by implication, others in advanced complex societies) were obsessed with personal hygiene

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because they "even brushed their teeth, using a fibrous stick." In fact, everyone in East Africa who does not brush his teeth with Colgate does it with a fibrous stick, including a man I know who lives in a cave. One of the best species of tree for this purpose has even been shown to contain an antibiotic that fights the growth of bacteria.

Sagan also manages to reinvent one bad idea I had not heard for years, that of the leisure-time theory of history. People in stateless societies, it was said, have to work too much, given their ignorance of more productive technologies, to have any time to devote to civilized pursuits, such as inventing writing, the potter's wheel, and Donkey Kong. But men in Buganda, Sagan says, "did practically no work in the raising of food . . . [and] were free to build houses, construct roads, clear land, fish, sleep, talk, smoke, hunt, mix in politics, and create a state." A similar situation supposedly existed in Tahiti.

This is an idea that can now only be found in old high school textbooks and *At the Dawn of Tyranny*. It has been thoroughly refuted by detailed observations among stateless peoples, most notably the foraging !Kung San of Botswana and Namibia. The !Kung have been found to be quite a lazy bunch, spending very little time on subsistence efforts and devoting a lot to leisure and socializing. Marshall Sahlins even went so far as to label hunters and gatherers in general as "the original affluent society" based on the !Kung findings. I myself have just completed the first third of a year of quantitative behavioral observations among a group of Kenyan pastoralists, and it is already clear that "leisure" will be by far the biggest slice of the behavioral pie chart for most kinds of people, but especially for adult males. They definitely do not spend their great amounts of free time dreaming up new developmental stages for their culture. They spend it talking, drinking, playing games, and just sitting around watching the grass grow. Civilization was not the result of contemplation and thumb-twiddling. It was the result of hard work.

Sagan's treatment of infanticide and his conclusions about what it reveals about advanced complex societies are also marred by his ignorance of prior research on the subject. Rather than comb through the relevant literature and tell us what it says, Sagan asserts several things without revealing their sources. For instance, he claims that "most of the data we have on the results of gender-differential infanticide [female infanticide is more common than male] point toward the 'impossible' figures of the remaining population, which then consists of three, four, or five males for each female." He gives no citations, no indication of what societies he is referring to.

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Sagan rejects population control notions often used to explain infanticide, and in this he is probably right. He too quickly, however, rejects *all* biological explanations of the phenomenon in favor of his own psychological theories. In his view, infanticide was a way "to satisfy intense feelings of aggression, not just toward children and women but . . . toward the whole psychological process of child bearing and child rearing."

Certainly infanticide has a psychological angle to be explored. Whether Sagan has hit on a valid aspect of it we cannot say, because he fails to test it properly. Like so much of this book, it is just an assertion, wrapped up in a lot of psychological mumbo-jumbo about "irrational conflicts" and "narcissism," the like of which is easy to find in the self-help section of popular bookstores and on the "Phil Donahue Show."

Whatever interesting psychological aspects there are to infanticide, they will not be found without an understanding of the practical biological and economic reasons why people kill their babies. Great strides have been made toward such an understanding in recent years by ecologically-minded anthropologists like Mildred Dickemann and Napoleon Chagnon and his colleagues. Dickemann has explained the female-biased infanticide among some upper caste Indians in the period before British rule by its relation to the hypergynous marriage system, in which males marry down and females marry up the socioeconomic pyramid. Put quite simply, a woman at the top of the hierarchy had nowhere else to go for a mate, and therefore was, reproductively at least, of little promise, and hence expendable. Chagnon and others have used ideas from evolutionary ecology about optimal sex ratios of offspring to explain why the horticultural Yanomamo of South America sometimes kill baby daughters. They argue that if the optimal sex ratio of offspring at sexual maturity is about fifty-fifty, and if young males have higher death rates than young females, one must have more baby females to start out with.[2]

Such arguments are often technical, complex, and hard for the nonspecialist to follow. This is no excuse, however, for Sagan to have ignored such important sources for information on infanticide, a topic he deemed worthy of an entire chapter.

More central to Sagan's argument, and more shocking in the low level of scholarship it reveals, is his treatment of the origin of the state. In this case, Sagan seems vaguely aware that there is in fact a relevant body of literature out there somewhere, but he chooses to ignore it.

He sets off on the wrong foot with a silly definition of the state.

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Although he is aware of the Weberian definition of the state as a monopoly of the legitimate use of force in society, he chooses to invent his own. The state, he says, is *"that form of human society in which nonkinship forms of social cohesion are as important as, or more important than, kinship forms."* It is amazing that this definition ever made it into print. Is IBM a state? Is the Red Cross? Amnesty International? The Ford Foundation?

When it comes to early state formation, Sagan is still clueless. He does not see state creation as the result of real people facing practical problems in the real world. They just did it, that's all. They just decided they were sick of all that messy kinship business, and, presto, it happened. Isn't it amazing?, Sagan seems to say, time and again.

Well, yes, it is amazing, especially to those ignorant of the large amount of research that has been done on state origins. Robert Carneiro's widely respected view is that early states developed in areas like Mesopotamia and the Nile valley because important resources there are physically circumscribed, preventing those who are the victims of marauders from moving. Those marauders eventually become the state. People accept state power because they cannot run away from it.

Would this book be any good had Sagan done his research thoroughly and presented his case clearly? Probably not. It would still be too full of too many untested and probably false assumptions. One of the central assumptions that would remain unsupported and indefensible concerns the nature of stateless societies versus those of early states. People in stateless societies, Sagan says, were not true individuals. They were instead chained within "prisons of kinship." He also calls this condition our "kinship paradise lost," and he maintains a fuzzy love-hate relationship with both stateless and early state societies throughout the book.

There is no reason to think that people in stateless societies are, as a rule, any less "individuated" than we or than anyone else has been in human history. True, kinship is an important guide to behavior in most stateless societies, but it is also one in many state societies. It is also far from obvious why kinship should be any more anti-individual than any other principle that guides social behavior. Are table manners anti-individual? Is the act of speaking a common language with those around you anti-individual?

Individualism is not absent from stateless societies. Examples of it are abundant, but one from the East African ethnographic record and two from New Guinea should suffice to demonstrate the point. East Africa's most famous stateless people, the Maasai, give one good example of individuality in a traditionally stateless context. Although

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the Maasai generally shunned specialization of labor, some individuals did take to rituals and became *iloibonok,* or ritual experts. In the nineteenth century, the fame of some of these men spread far, and they commanded great respect. Their positions were not official, and they were not appointed to them. They gained their status simply through distinction in the performance of their trade. The names of some of them, like Batian, Nelion, and Lenana, are still famous in East Africa. If the Maasai had been truly caught in a prison of kinship, with no notion of individuality, no such great men would have arisen.

The economics of trade and exchange have been hot topics in the ethnography of New Guinea, and for good reason. The peoples of that island have large and elaborate systems of exchange, some resembling markets and some more similar to the great potlatch gift-giving ceremonies of the Northwest Coast Indians. At the market end of the spectrum are the Kapauku Papuans, studied by Leopold Pospisil. They developed their own currency in shells and have an elaborate economy based on it. It even includes the beginnings of a capital market. The basis of this system is entirely individual: ownership of shell currency is by individuals, and economic enterprises are undertaken by individuals. Pospisil says the Kapauku would be more accurately described as "primitive capitalists" than as "primitive communists," a label quite wrongly pinned on many stateless peoples.

The inhabitants of Mount Hagen, New Guinea, show a different pattern, but one that also gives rise to a lot of individualism. The system is called *moka,* and it has been thoroughly described by Andrew Strathern in *The Rope of Moka.*[3] Individual men try to outdo one another in gift-giving. The traditional gifts were pigs and shells, but when Strathern wrote, large sums of cash and manufactured goods were also being introduced to the system. The goal is simple: prestige and influence. A man uses all the connections he can muster through friends and relatives to accumulate enough of his own and borrowed wealth to be able to out-give his rivals, and become known as a "big man." If Mount Hagen big men, Kapauku capitalists, and Maasai *iloibonok* are not "individuated," then none of us are.

After all these criticisms, it may be surprising to hear that *At the Dawn of Tyranny* does not make completely unenjoyable reading. Much of it consists of long stories from the three focal societies and long quotes from early sources. The latter in particular can be interesting to read for one of the same reasons why authors like Joseph Conrad are enjoyable. They come straight from the first contact Europeans had with non-Europeans, and the confused combination of shock, delight,

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and bewilderment conveyed by them is much more open and honest than the often dry and impersonal style of so many modern, self-consciously culturally relativistic ethnographers.

Most of my arguments against *At the Dawn of Tyranny* have been technical and methodological, and a few have been substantive. There is also a political argument to be made against it. Sagan saves his political kicker for near the end, hinting at his views only briefly a few times in the main text. His theory, Sagan tells us, not only explains the transformations of past societies, it also prophecises the future.

Human societies have gone through all of Mahler's developmental stages but one, it seems, called "object constancy." Sagan translates this as the capacity to love. Because we cannot now love one another, we are all wrapped up in a "pathological individualism" that must be dialectically processed away (sound familiar?) and replaced with a renewed sense of community.

Well, we have survived other prophetic social theories, although many millions of people are still suffering from the last one. Thanks to its uncountable flaws and weaknesses, Sagan's attempt to breathe life into Marxism with an infusion of Freudian hot air will not succeed. The future remains to be made, and no blueprint for it exists. Let us hope that those who value the individual and individualism, not for the impoverishment of the community but for its enrichment, are the ones who make it.

NOTES

1. E.g., *On Human Symbiosis and the Vicissitudes of Individuation* (London: Hogarth Press, 1969).
2. Napoleon Chagnon and William Irons, eds., *Evolutionary Biology and Human Social Behavior* (North Scituate, Mass.: Duxbury Press, 1979).
3. Andrew Strathern, *The Rope of Moka: Big-Men and Ceremonial Exchange in Mount Hagen, New Guinea*. (Cambridge: Cambridge University Press, 1971).

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*Pete Boettke, Steve Horwitz*
*and David L. Prychitko*

# THE ROOTS OF APARTHEID

THE RANDLORDS
by Geoffrey Wheatcroft.
*New York: Atheneum, 1986. 314 pp., $17.95.*

CAPITALISM AND APARTHEID: SOUTH AFRICA, 1910–1984
by Merle Lipton.
*Totowa, N.J.: Rowman & Allanheld, 1985. 400 pp., $19.95.*

THE ECONOMICS OF THE COLOUR BAR
by W. H. Hutt.
*London: Institute of Economic Affairs, 1964.*

South Africa is a country ideally suited to inspire the kind of debate in which half the remarks begin with, "Yes, but on the other hand . . ." Whites have imposed apartheid on other races, but over one-quarter of white voters in the last election voted for parties opposed to it. Blacks have a standard of living only a fraction of that of whites, but higher than blacks anywhere else in Africa. Many Western companies have ceased operations in South Africa, but South Africa's diamonds, gold, and strategic minerals are so important to the world economy that they are assured of finding a market.

Apartheid is the central feature of both political and economic life

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in South Africa. To understand how apartheid developed into its present form it is necessary to delve far back into South African history. Two recently published books and an older work upon which one of them draws offer valuable glimpses into apartheid's roots. Each is of interest separately, but they also complement one another to some extent chronologically and analytically.

Geoffrey Wheatcroft's book *The Randlords* is an attempt to link the development of apartheid with that of South African industry. It recounts the evolution of corporate South Africa, first in diamond mining and then in gold mining. But though the book provides some valuable information, it fails to hang together in a cohesive fashion. Instead, Wheatcroft presents what the historian R. G. Collingwood called "scissors and paste" history. *The Randlords* is a gossipy, episodic account of the lives of South African corporate leaders such as Cecil Rhodes and J. B. Robinson from 1866 (year of the first diamond discoveries) to 1910 (when South Africa became independent from Britain). However, though lacking in narrative unity it is in some respects informative and the implicit story that emerges in this book is invaluable for understanding the historical processes that have resulted in the current system.

Though Wheatcroft's intended purpose is to present the case that unbridled competition in South African mining tended toward concentration and exploitation as "[t]he reign of the capitalist was at hand," the actual story that emerges is how the use of state power resulted in an exploitive gain by one group at the expense of others. In particular, with regard to the historical origin of the system of apartheid, *The Randlords* reveals how whites were able to exploit and subject black and colored people to cruel and inhuman treatment.

It was the mining and diamond industries in particular that benefited from the apartheid laws. As Wheatcroft points out, "Blacks could live and work more cheaply than whites. For two hundred years white-ruled South Africa had been more or less a serf society. Now for the first time the black man was seen not only as the white man's servant, but as his economic rival. A fateful corner had been turned." White diggers were able to protect their interests by successfully lobbying with British authorities. For example, in 1872, they lobbied for Proclamation No. 14, which allowed the searching and flogging of any black laborer found in the mining camps without a pass. Yet despite the passage of such laws, Wheatcroft seems to want to suggest that there was tension between good-spirited public officials and the diggers. However, though some public officials (in particular, Sir Richard

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Southey) recognized that the new economic developments offered opportunities for nonwhites to advance, and that it was wrong to grant privilege to white persons purely because they were white, most favored such privileges. Furthermore, most tolerated whites' use of violence to create *de facto* privileges not officially recognized by law. Thus it was political intervention in the market, rather than the market itself, that permitted the exploitation of one racial group at the expense of another. South African capitalists realized this: Cecil Rhodes and five of the other six principal movers in the amalgamations that founded the De Beers diamond syndicate were already politicians when the mergers took place or would soon assume office.

Left to themselves, market forces tended to overturn rather than reinforce the myriad monopoly concessions and prohibitions on labor that existed at the beginning of the economic transformation. For example, with the discovery of gold in the 1890s around Johannesburg, the interest of the miners, who wished to obtain materials and labor at the least cost possible, came directly into conflict with "Transvaal's policy of monopolistic concessions, the policy which Kruger called 'the cornerstone of the independence of the Republic.'" Blacks were a source of cheap labor, but with the increased demand for labor, their average pay was increasing rapidly. Mining firms tried to set a uniform wage ceiling for black workers, but it was unstable: "[T]here were important mine owners who were always opposed to any agreement or maximum wages—not out of kind-heartedness toward the labourers but through the obstreperousness and resentment of the other companies. . . . Mine owners could use black labourers' wages as a means of cutting their competitor's throat." When mine owners used the power of the law to manipulate the labor market, though, their attempts to cartellize the labor market began to be successful. The Glen Grey Act (passed in 1894, when Cecil Rhodes was governor) disenfranchised blacks and levied a labor tax on them. As Wheatcroft remarks, "Many new laws and regulations provided that gentle stimulus for tribesmen who might otherwise have lived in contented idleness, by reducing the size of lands blacks owned and thus their capacity for self-sufficiency, by demanding the payment of hut or labor taxes in cash which could only be earned at the mines."

*The Randlords* is disappointing as a treatment of apartheid: despite evidence to the contrary, Wheatcroft treats capitalism as if it uniformly encouraged apartheid. He fails to distinguish between the workings of truly free markets and those of markets in which government sanctions for favored parties abridge the liberty of others. His fuzzy-mindedness

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is painfully evident in the epilogue; though he has the opportunity to address current policy concerns, Wheatcroft does not discuss the South African government's systematic violation of human rights. Instead, he seeks to explain the country's problems by reference to the "power of gold to shape men's destinies."

Over the last few years, others *have* provided more sophisticated explanations of apartheid. Some argue that it is simply the result of unprecedented racism among the South African whites. Others, most notably Marxists, claim apartheid is the necessary outcome of South Africa's capitalist system. They allege that racist policies were designed by capitalists to deliberately break up the working class and thereby avoid the rise of the proletariat. Being victims of "false consciousness," they say, white workers incorrectly view the black workers, rather than the capitalists, as inherent enemies.

Merle Lipton argues against these traditional explanations. Her recently published book *Capitalism and Apartheid: South Africa 1910–1984*, takes up, chronologically, where Wheatcroft leaves off. She persuasively argues that apartheid laws in this period were largely the result of successful attempts by high-wage white farmers and workers to reduce competition from low-wage blacks.

White farmers pressed for such measures as the Land Acts of 1913 and 1936, which were expressly designed to reduce blacks' economic power. The acts eliminated African tenant farming in "white" areas by forcing out blacks, who comprised 70% of the population and occupied nearly 30% of the land. Blacks were left the communal reserves, which made up only 14% of the total land. While blacks found it impossible to generate financial capital, since reserve land was considered collective property and could not be mortgaged, white farmers got government Land Bank loans to purchase machinery and fertilizers, and benefitted from heavily subsidized irrigation projects. As a result, blacks found it impossible to compete with them. They became instead a source of cheap labor for white farmers. "Masters and servants" laws allowed white farmers to wield even greater power by making it a breach of contract—and a criminal offense—for black laborers to leave their jobs without the consent of the employer. This, of course, limited blacks' ability to move to higher-paid alternative work.

Not all white employers favored apartheid. Farmers supported it because it guaranteed a large reserve of cheap black labor. So did mine owners, who likewise benefited from a pool of cheap, unskilled labor. Influx controls and pass laws gave them greater control over the avail-

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ability of black labor by restricting its mobility. Mine owners carried restrictions on black workers even further with their own private measures: blacks were housed and fed in mining compounds, and placed under constant subjection to the mines' police procedures, a very costly procedure, but one outweighed by the benefits of the industry's control over them. This arrangement allowed them to continuously search black workers for possible theft. Perhaps more important, however, the grim conditions of the compounds kept out higher-skilled whites, who would have demanded higher wages. On the other hand, manufacturing and commercial interests were largely opposed to apartheid, because it raised their labor costs and diminished their efficiency, especially within the international trading community. Lipton stresses that their opposition to apartheid policies was *not* due to an enlightened racial-social conscience; rather, it was due to the high cost of supporting apartheid. Here the job ban was more difficult to enforce, since private manufacturers continuously attempted to lower their costs of production by substituting cheaper black labor for costlier white labor. Nevertheless, the voting power of these urban capitalists was very slim because they were outnumbered by white farmers and laborers; their chances of breaking apartheid were consequently quite low.

To cope with the high cost of apartheid, manufacturers turned to protection from international competitors. The Customs Tariff Commission of 1934 and the 1943 Agricultural and Industrial Requirements Commission were quite explicitly protectionist. The former stated, for instance, that "the greatest competitive drawback of [South African] industry is the high cost of white labour, and the protection which exists is, to a large extent, a protection of the wage rates payable to whites in industry," while the latter argued that "it is . . . indubitable that industrial protection is largely a protection of skilled [i.e. white] wages."

Protection was thought to ease the high costs of apartheid labor policies. This it did not do, for the industrial sector's inputs were *also* protected by the South African government, raising their prices as well. Consequently, the average annual growth rate in manufacturing, which was 7 percent between 1946 and 1970, became negative by 1977. Falling industrial productivity, along with international hostility to apartheid, hindered South Africa's ability to attract foreign capital and technology. The country turned to increasing government involvement in the economy: the government's share of gross fixed investment increased from 35 percent in 1950 to 53 percent in 1979. South Africa

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is now caught in what seems to be an unbreakable cycle of greater government intervention leading to greater economic and political problems leading to still more intervention.

Apartheid's economic costs are tremendous. But, as Lipton demonstrates, the system's continued existence has been due primarily to white farmers' and workers' ability to shift its burdens onto black workers and industrial capitalists, groups that do not have much political power. However, as South Africa's recent economic performance indicates, the costs cannot be systematically shifted forever: soon they come back to haunt the society as a whole, politically as well as economically. The rise in black militancy over the past few years has gone hand in hand with a rise in unemployment. Black revolutionaries have shifted from nonviolent means (which they preferred in the high-growth 1960s) to violent means in the hope of breaking white political hegemony. The resulting instability has brought about some social and economic concessions. Unfortunately, it has also driven those threatened closer together, and it therefore may lead to greater authoritarianism and militancy on their part. The recent rise of a version of Nazism in South Africa is a sign that this is in fact happening.

The current situation in South Africa is highly unpredictable. Lipton, understandably, offers little in the way of prophecy. But to see how South Africa got itself into the straits it is in today, a reading of her well-documented book is most helpful. Although from time to time it slips into careless, unsubstantiated analysis of aggregated class interests, it successfully makes sense of the complexities of apartheid and calls for South African capitalism without apartheid.

Much of Lipton's work is an extension of earlier work by the noted South African economist W. H. Hutt. While Lipton delves more into the details and statistics of apartheid, Hutt's *Economics of the Colour Bar* is broader; it is a true work of political economy. Though written twenty-two years ago, it remains a timely and informative analysis.

Hutt stresses the role of white unions in bringing about apartheid. To those accustomed to thinking of workers (or workers' parties) as possessing a class solidarity that transcends racial and other differences his account is quite a shock. Hutt notes the role of the Socialist, Labor and Communist parties (now generally in the forefront of opposition to apartheid) and the unions in supporting pre-1948 racist legislation, much of which was incorporated into the official policy of apartheid in effect since the Nationalist Party came to power in 1948.

Hutt opens his economic analysis at the turn of the century when

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white union activity was on the increase and the threat of strikes and violence was all around. Many of these strike leaders were socialists (such as W. H. Andrews, who founded the International Socialist League in South Africa), and were the key players in union activities of the time. Hutt recounts numerous stories of violent union actions that shut down mines for periods of up to a year at a time. While the majority of firms were happy to promote black workers that could handle better jobs (not out of social consciousness, but out of self-interest) they could not withstand the cost of white labor violence to machinery and to employees who did not strike. In order to eliminate this violence, white workers were appeased by passage into law of the kinds of measures they were trying to gain through strike action, such as the first act to impose a color bar, the Mines and Works Act of 1911.

The provisions of the act were many and varied, but the major ones were typical of later legislation. The act limited certain jobs to the possessors of government-issued certificates of work. This was ostensibly done in the name of safety, but in actuality it prevented blacks from performing many of the potentially more lucrative mining jobs by raising standards of entry and "grandfathering in" white workers who held the jobs. The Act also fixed a ratio between white foremen and black laborers. Because of the high cost of white labor, firms could afford few white foremen and therefore were limited in the number of black laborers they could hire.

Hutt tackles the question whether the firms can be blamed for the harm done to blacks as a result of the Act. He makes two points that should be heeded. First, and most important, the South African government, along with much of the populace, condone (as they still do) the use of coercion by white unions. Neither the force of the police nor the pressure of popular opinion was ever turned against violent union activities. The strikers had broad support among whites because they portrayed their battles as part of a universal struggle of workers against employers. Unfortunately, this meant that firms that yielded to union pressure were more highly regarded by most whites than those that did not.

The history of the later color bar acts and the official policy of apartheid reads much the same. One example of this is the policy of job reservation as introduced in acts of 1956 and 1959, which makes specific jobs available only to workers of a particular color. The Nationalists overtly claimed they wanted "to protect the white man from exploitation by other races," i.e. to prevent blacks from moving into

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higher-paying jobs and making economic gains. In 1964, two all-white unions requested that certain building trades be off-limits to coloreds in an area where 75% of the building workers were coloreds.

Perhaps because he looks only at South African history, Hutt seems to assume that unions are bad by their very nature. But as freely formed entities, unions serve very positive purposes as forums for complaints about other workers or management, or for finding ways to improve working conditions or productivity, etc. To this extent they play a helpful role in the marketplace. Only when they resort to coercion are they harmful. Black unions, though often illegal and feeble, have been important in resisting some especially odious violations of human rights that mine owners have perpetrated with government approval. But this is a minor flaw in comparison to the breadth and acuity the rest of the book exhibits.

Accompanying his strictly economic analysis, Hutt also provides historical and sociological analyses which cannot be ignored in a deeper look at apartheid. Of special interest is his account of the history of South Africa's various ethnic groups. Also of some importance is his mention of the Dutch Reform Church's role in "spreading ancient superstitions . . . which associate white with goodness and purity, and black with sin, evil, dirt, and death." Such accepted religious doctrine was easily exploited by the Nationalists, and before them by leftists, in their quest for political power.

All in all, Hutt's book may still be the seminal economic work on the subject. When read along with Merle Lipton's book it enables one to grasp the true story of apartheid. In light of the account they give we can begin to think of more appropriate solutions than most critics of apartheid have proposed, misinformed as they are about the system's historical origins and about its relation to the market economy.

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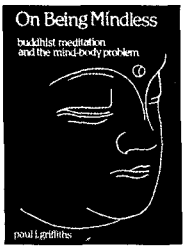


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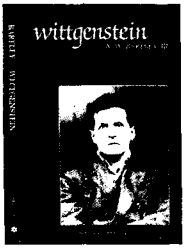


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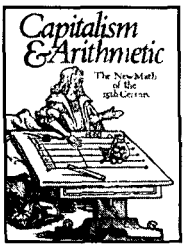


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